

Preface

National issues played a larger role in Texas Department of Insurance (TDI) activities in FY 2000 as the agency continued its chief roles of protecting insurance consumers and regulating the \$60 billion-a-year Texas insurance industry.

Among the issues that touched TDI and insurance regulators nationwide were computer problems related to the arrival of Year 2000 and the Financial Services Modernization Act, which made it possible for U.S. insurance companies, banks, securities firms and other financial services entities to affiliate or forge other types of business partnerships.

The fiscal year began with implementation of a realignment of several TDI functions. The realignment was aimed at linking similar activities in a more efficient manner.

As part of the realignment:

- Property and casualty and title functions of the former Regulation and Safety Program were split off and joined with the former Technical Analysis Program's P&C Actuarial, Special Projects and Data Service activities to form a new Property and Casualty Program.
- A new Life, Health and Licensing Program was created to include the Life/Health, HMO, Licensing and Filings Intake Divisions.
- Oversight of the Public Protection Classification system was transferred to the State Fire Marshal's Office.
- The Early Warning and the Special Deputy Receiver Contracting Process, which had been under Technical Analysis, moved to the Financial Program.

The Financial Program also implemented an internal reorganization. The former Insurer Services Division was renamed the Company License and Registration Division to more closely reflect its fundamental purpose. The Early Warning Division and Contract Administration area were added to this Division.

The Financial Monitoring Activity and Examinations activities were combined into a single Financial Analysis/Examinations Division. This combination has enhanced communications and coordination between TDI's examiners and analysts and is similar to the structures found in other state insurance departments.

The Liquidation Oversight Division was moved out of the Conservation Activity effective September 1, 2000, and now reports directly to the senior associate commissioner of Financial. A renewed emphasis will be given to closing pending receivership estates.

This annual report examines TDI as it operated from September 1, 1999, through August 31, 2000.

Federal Financial Services Legislation

On November 12, 1999, the president signed the Gramm-Leach-Bliley Act ("GLBA"), commonly referred to as the Financial Services Modernization Act. This legislation amended federal laws, some dating back to the Depression era, which barred joint operations among insurance companies, banks, securities firms and other financial service entities. Under GLBA, these types of firms may now affiliate with one another and offer consumers "one-stop shopping" for everything from car insurance to checking accounts to securities brokerage services.

The enactment of GLBA followed many years of difficult negotiations, not just among the insurance, banking and insurance industries, but also among the regulators with oversight of these industries. The implementation of GLBA in a manner that is both practical and effective presents a unique challenge for these industries and their regulators and will require a level of cooperation and communication that has not been practiced or needed in the past.

Although GLBA creates opportunities for insurers, it may also create solvency risks for them as they venture into new industries in which they do not have prior experience. For example, the financial condition of an insurer that affiliates with a troubled bank may be negatively impacted.

TDI has been active in GLBA implementation at both a national and state level.

Commissioner Montemayor served on several GLBA committees formed by the National Association of Insurance Commissioners. A few examples include serving as Vice-Chair of the Financial Services Modernization Task Force and Chair of the Financial Services Holding Company Examination and Analysis Working Group. He also served on other NAIC committees, including the National Treatment of Companies Working Group and the Coordinating with Federal Regulators Working Group.

At the state level, TDI participated with several other state agencies on a study of GLBA's impact on Texas. This report was requested by key Texas lawmakers and contained legislative recommendations for implementing GLBA in Texas. This report was submitted on August 15, 2000. TDI will also include legislative recommendations regarding GLBA in the biennial report required by Section 32.022 of the *Texas Insurance Code*.

New Accounting Standards

TDI played an active role in developing new accounting standards at both the national and international level.

On the national level, TDI worked through the National Association of Insurance Commissioners on development of

an updated Accounting Practices and Procedures manual for insurers. This project began about seven years ago and codifies statutory accounting guidance for insurers. In FY 2000, TDI created a regulator/industry task force to review the possible adoption of these new standards, which would provide a uniform basis of accounting for financial statements filed by insurers with state regulators. These efforts resulted in a draft TDI regulation, which is currently under review for adoption effective January 1, 2001.

TDI also was involved in the development of proposed International Accounting Principals, which has the goal of providing uniform, global accounting standards for all industries. TDI coordinated the submission of various issue papers and provided comments on a number of projects related to this initiative.

Year 2000 Problem

TDI invested a tremendous amount of effort on a national and statewide basis to ensure that insurers' computers would be Y2K compliant on January 1, 2000. Regulators were concerned that insurers unprepared for Y2K might encounter financial problems or fail in such consumer responsibilities as claim payments, policy renewals and accounting for premiums collected. TDI's efforts started in 1997 and extended well past January 1, 2000. TDI received the NAIC's "Technology of the Year Award" in 1999 for this work and was chosen to represent all U.S. insurance regulators on the President's Council on Y2K Preparedness. It is believed that these efforts contributed substantially to the insurance industry's readiness for the arrival of the Year 2000.

Insurance Fraud

Insurance fraud is one of the costliest white-collar crimes in the nation. Fraud drives up the cost of insurance and, in the extreme, can even threaten the financial health of an insurance company. Insurance companies, policyholders, taxpayers and the public pick up the tab through increased insurance rates, higher taxes, and inflated prices for consumer goods and services. The National Insurance Crime Bureau estimates that the average insurance consumer pays an extra \$200 to \$300 in insurance premiums every year to offset the cost of fraud. The total estimated cost of insurance-related fraud in the United States exceeds \$120 billion a year.

TDI's Insurance Fraud Unit attacks fraud of various types and on various levels with the ultimate goal of protecting consumers from crooked agents, unlicensed insurers and higher premium costs resulting from claim fraud. TDI investigators cooperate with other law enforcement agencies, and regularly conduct joint investigations with local police, sheriffs' departments, Texas district and county attorneys, Texas Department of Public Safety, Federal Bureau of Investigation, Internal Revenue Service, United States postal inspectors and the United States Department of Labor.

In one case during FY 2000, the Fraud Unit investigated a viatical settlement broker who masterminded a scheme based

on hiding the fact that life insurance applicants had terminal or life threatening illnesses. As a result of prosecution by the Dallas County District Attorney's Office, the broker was convicted of money laundering and securing the execution of documents by deception. He was sentenced to 60 years in prison and ordered to repay \$3.5 million in restitution.

The State Fire Marshal's Office, another arm of TDI, also works to detect fraudulent claims that can drive up property insurance rates. In FY 2000, the State Fire Marshal announced creation of an arson hotline that residents anywhere in Texas can call toll-free to report a suspicious fire. That hotline number is 1-877-434-7345. Fire departments also are urged to call the hotline number when they need assistance from the State Fire Marshal's Office.

Health Care

In FY 2000, Texas HMOs continued the trend of steady enrollment growth and financial losses, but the number of profitable HMOs increased from the previous fiscal year.

As shown by Figure I, basic service HMO enrollment almost tripled from 1990 to 2000. By the end of FY 2000, almost 20 percent of the state's 20 million residents were enrolled in basic service HMOs.

Figure 1
Texas HMO Enrollment - 1990-2000

Year	Basic Service Membership	Single Service Membership
1990	1,320,707	542,315
1991	1,423,933	626,027
1992	1,485,764	857,515
1993	1,612,327	960,352
1994	1,806,109	1,131,716
1995	2,188,330	1,294,079
1996	2,717,778	1,936,345
1997	3,204,998	2,288,976
1998	3,768,999	2,421,847
1999	3,873,684	2,940,475
2000	3,915,218	2,650,171

(through June)

Note: Membership numbers are from annual statements filed by HMOs and include only HMO members. Self-funded plan members under administrative services only contracts aren't included.

Of the 50 active basic service HMOs in Texas, 18 reported net after-tax profits on Texas-only business for 1999. By comparison, only 13 basic service HMOs were profitable in 1998. Annual statement data shows four consecutive years of after-tax losses for the Texas basic service HMO industry as a whole. Losses totaled more than \$1 billion between 1996 and 1999. That includes a record \$386.5 million in losses in 1999. After-tax net income for single service HMOs dropped slightly from

the \$21,451,053 posted on Texas business in 1998 to the \$21,379,924 posted in 1999.

Although losses continue, unaudited results for FY 2000 indicate they may be less severe than in FY 1999.

Reasons for the slowing loss rate include: (1) several mergers that helped HMOs reduce expenses; (2) the second year of new TDI rules requiring HMOs with insufficient premiums to raise premiums, over time, to a level that will cover anticipated expenses; and (3) 1999 legislation establishing stronger capitalization requirements.

This legislation included House Bill 3023, which established true net worth requirements for HMOs and authorized TDI to establish risk-based capital requirements for HMOs, and House Bill 3020, which requires HMOs to file a withdrawal plan with TDI before they stop doing business in Texas. TDI implemented these statutes during FY 2000.

Availability & Affordability

In recent years, reports of difficulty finding affordable property or auto insurance coverage have concerned legislators and TDI. Addressing these concerns remained a priority for TDI in FY 2000.

Benchmark Rate Actions

The Commissioner of Insurance each year must hold a hearing to set new benchmark rates for automobile and residential property insurance sold by rate-regulated companies. Once the Commissioner sets these benchmark rates, rate-regulated insurers must file new rates within 30 days of the effective date. Unless companies obtain the Commissioner's prior approval, they must keep their new rates within a "flexibility band" of 30 percent above and 30 percent below benchmark rates. Rates must take effect not more than 60 days after they are filed at TDI. These rates are subject to TDI staff review, however, and for the second year in a row, the staff negotiated lower rates with some auto insurance groups. Benchmark rates vary among 52 rating territories for automobile insurance and 23 rating territories for residential property insurance.

The process begins each year with the Commissioner informing administrative law judges with the State Office of Administrative Hearings which issues need to be considered during the benchmark rate hearings. The administrative law judges (ALJs) hold public hearings and make recommendations to the Commissioner on benchmark rates and on rates for the Texas Automobile Insurance Plan Association (TAIPA), the state's assigned-risk plan. After considering recommendations from the ALJs and hearing arguments from parties in each benchmark case, the Commissioner issues final decisions.

In April, Commissioner Montemayor cut homeowners insurance benchmark rates by a statewide average of 6.6 percent, effective June 15, 2000. In August, he ordered

private passenger auto insurance benchmark rate reductions averaging 1.3 percent statewide, effective November 1, 2000.

On September 8, 2000, just after the close of FY 2000, he reduced rates for drivers covered through the state's assigned-risk plan, the Texas Automobile Insurance Plan Association (TAIPA) by an average of 6.1 percent, effective December 1, 2000.

The majority of the private passenger auto insurance market remains in rate-regulated companies, writing 77.6 percent of insured vehicles at the end of 1999 – unchanged from 1998. The state's 23 active county mutual insurers, which are exempt by law from rate regulation, have increased their share in recent years, although it leveled off at 22.4 percent for 1998 and 1999. The trend in premium written in 1999 continued the recent increases for rate-regulated companies. The rate-regulated companies' share of premium written rose slightly to 72.9 percent at the end of 1999, compared with 71.4 percent for 1998 (See Figure II).

The share of rate-regulated companies in the residential property market continued to drop, however. At the end of calendar year 1999, only 11.1 percent of the direct premium written in homeowners multiple peril was in the rate-regulated market, compared with 22.7 percent in 1998.

Auto Market Assistance Program

FY 2000 was the second year of a unique program to help good drivers in underserved areas find less expensive car insurance.

The Automobile Insurance Market Assistance Program (MAP) attempts to reduce the number of good drivers lumped with "high risk" drivers in county mutuals and TAIPA. Often, such good drivers find they pay the higher rates designed for bad drivers. The MAP program uses a password-protected TDI Internet site to transmit the applications of good drivers in 382 under-served ZIP codes to insurance companies that participate voluntarily in the MAP. Consumers can contact the program through a toll-free number: 1-888-799-MAPP (6277) or apply electronically through TDI's Web site.

In FY 2000, the Department conducted a series of news conferences and public awareness efforts to increase the number of Texans helped by MAP. Still the number of Texans taking advantage of the program has been lower than expected.

In the program's first 26 months of operation (July 1, 1998-August 31, 2000), it attracted a total of 2,477 eligible applicants, which led to 1,705 offers to issue policies but only 354 acceptances (See Figure III). Almost 10,955 Texans have called about the program. Those not eligible were sent rate guides to help them shop for less costly coverage.

Figure 2
Comparison of Texas Private Passenger Automobile Insurance Market
(Rate-Regulated/Non Rate-Regulated Insurers – 1993-1999)

Year	Number of Vehicles Insured ¹			% of Vehicles Insured	
	Rate-Regulated ²	Non Rate-Regulated	Total	Rate-Regulated	Non Rate-Regulated
1993	7,881,680	1,210,450	9,092,130	86.7%	13.3%
1994	8,067,506	1,483,783	9,551,289	84.5%	15.5%
1995	8,078,856	1,634,022	9,712,878	83.2%	16.8%
1996	7,928,125	1,863,186	9,791,311	81.0%	19.0%
1997	7,950,495	2,442,774	10,393,269	76.5%	23.5%
*1998	8,412,394	2,423,928	10,836,322	77.6%	22.4%
1999	8,784,514	2,542,235	11,326,749	77.6%	22.4%

Year	Amount of Premium Written ³			% of Premium Written	
	Rate-Regulated	Non Rate-Regulated	Total	Rate-Regulated	Non Rate-Regulated
1993	\$5,361,488,501	\$1,370,879,294	\$6,732,367,795	79.6%	20.4%
1994	\$5,688,060,661	\$1,576,439,099	\$7,264,499,760	78.3%	21.7%
1995	\$5,859,332,046	\$1,762,885,914	\$7,622,217,960	76.9%	23.1%
1996	\$5,796,258,626	\$2,152,607,943	\$7,948,866,569	72.9%	27.1%
1997	\$5,856,932,799	\$2,436,436,967	\$8,293,369,766	70.6%	29.4%
1998	\$5,975,246,388	\$2,390,247,747	\$8,365,494,135	71.4%	28.6%
1999	\$6,025,538,363	\$2,238,667,626	\$8,264,205,989	72.9%	27.1%

¹ Figures are as of year-end. Source: Texas Private Passenger Automobile Statistical Plan, Quarterly Market Report

² Rate-regulated includes assigned risk figures.

³ Source: State of Texas P&C Insurance Experience by Coverage and Carriers Report.

Figure 3
Automobile Insurance MAP Activity July 1, 1998 – August 31, 2000

	Austin	Dallas Ft. Worth	El Paso	Houston	San Antonio	Lower Rio Grande Valley	Statewide
Total Calls	379	1,007	261	1,671	3,342	259	10,955
Eligible Applicants	85	349	97	504	848	113	2,477
Offered Policies	140	211	117	330	505	96	1,705
Policies Accepted	31	43	13	67	111	25	354

Note: 23% of the callers were eligible applicants; 69% of the eligible applicants were offered a policy; 21% accepted. Also offers outnumbered eligible applicants in Austin and El Paso because the numbers included results from some calls received during FY98.

Tort Reform

The Texas Legislature in 1993 and 1995 adopted tort reform laws designed to reduce lawsuit abuse and encourage settlements that are more reasonable. Lawmakers also enacted a statute ordering the Commissioner of Insurance to reduce liability insurance rates in each of the next five years to assure that savings from tort reform would be passed through to consumers. A bill that would have extended the mandate beyond 2000 failed in the 76th Legislature.

Commissioner Montemayor held the final tort reform rate reduction hearing on August 25, 1999, and on October 1 ordered savings estimated at \$685.5 million for calendar year 2000. The 2000 savings pushed the five-year total to \$2.9 billion (See Figure IV). Overall, tort reform has had its biggest impact on auto insurance and business liability policies. Beginning in 2001, insurance companies' rates are expected to reflect tort reform savings because of reduced

losses. TDI actuaries will check to see that the reductions in losses are reflected in future rate filings and passed along to policyholders.

Solvency

Monitoring the financial condition of insurers and taking action to rehabilitate financially troubled companies are two essential tasks of insurance regulators. The goal is to identify solvency problems early and to act quickly to make sure the public is protected. Company failures can cause major inconvenience and even financial loss for policyholders. TDI's efforts related to solvency regulation have resulted in a decrease in insurer insolvencies in recent years as demonstrated in Figure V. The dollar size of insurer insolvencies has been relatively small in recent years, compared with prior years – an important point since insolvency related claim payments eventually are passed on to the state's taxpayers.

Figure 4
Tort Reform Premium Savings Reported by Line of Insurance (in millions)*

	1996 Actual Savings*	1997 Actual Savings*	1998 Actual Savings*	1999 Actual Savings*	2000 Actual Savings*
Farmowners/ranchowners liability	\$0.8	\$0.9	\$0.8	\$1.2	\$1.2
Medical malpractice	\$32.7	\$34.9	\$43.2	\$51.6	\$54.9
General liability	\$115.8	\$105.8	\$197.5	\$201.8	\$206.2
Commercial multi peril	\$36.0	\$48.3	\$73.3	\$76.0	\$80.9
Products liability	\$11.9	\$11.1	\$21.1	\$25.0	\$26.6
Commercial automobile [†]	\$59.8	\$62.3	\$73.1	\$99.7	\$103.9
Private passenger auto -- rate-regulated [†]	\$142.9	\$141.0	\$191.7	\$166.2	\$133.8
Private passenger auto -- non rate-regulated	\$35.6	\$36.9	\$55.7	\$77.9	\$77.9
Totals	\$435.5	\$441.2	\$656.4	\$699.5	\$685.5

* Differences in savings are a result of change in premium volume by line of insurance.

[†] Tort reform applies only to the bodily injury liability portion of commercial and private passenger auto premium.

Note: Due to rounding, coverage amounts may not match exactly the totals listed. Also, some liability coverages have been combined under one grouping. Medical Malpractice includes doctors' and hospital malpractice; commercial auto includes garage liability; general liability includes personal umbrella, farm liability, commercial umbrella, other professional liability, pollution liability, fire, legal and contractual liability and owners and contractors protective railroad and liquor liability. Two other lines, employers' liability of workers' comp and homeowners liability, are not shown because no rate adjustment was made in those lines.

Figure 5
Texas Domestic Insurance Company Receiverships, FY 1983-2000

Year	Life & Health	Property & Casualty	Title
1983	2	3	
1984	0	0	
1985	2	3	
1986	1	1	
1987	2	3	1
1988	3	6	0
1989	14	5	1
1990	13	6	
1991	7	*5	
1992	6	4	
1993	6	3	
1994		6	1
1995	0	1	
1996	0	1	
1997	1	2	
1998	†3	1	
1999	‡3	0	0
2000	2	1	0

*Two of these companies were placed in receivership but were released shortly afterwards.

† Includes one fraternal benefit society.

‡ Includes 1 HMO and 2 life, accident and health companies.

Accomplishments & Actions

The Texas Department of Insurance took these major insurance regulatory steps in Fiscal Year 2000:

Administration

- Realigned Regulation and Safety and Technical Analysis into separate programs for Life, Health and Licensing and for Property and Casualty and moved Early Warning and SDR Contracting to Financial.

Amusement Rides

- Adopted new rules implementing amendments to the Amusement Ride Act.
- Issued a bulletin to amusement ride operators reminding them that they are required to notify patrons where to report unsafe conditions.
- Issued a bulletin to amusement ride operators reminding them that they are required to report all injuries resulting in death, as well as those requiring more than first aid.

Automobile

- Conducted a statewide campaign to inform the public about the Automobile Insurance Market Assistance Program (MAP).
- Urged participating companies to redouble their efforts to write policies for auto MAP applicants.
- Issued a bulletin informing auto insurers they may not deduct "betterment" or depreciation from first-party claims.

- Clarified that the Texas Personal Automobile Policy does not include reimbursement for a repaired vehicle's diminished value.

Banks

- Issued interim guidelines for licensing banks, savings associations and other financial institutions as insurance agents in compliance with the federal Gramm-Leach-Bliley Act.

Consumer Protection

- Provided insurance claim assistance in March-April 1999 to consumers in Fort Worth following a tornado that damaged part of the city's downtown and several residential areas.
- Provided publications, Web pages, training and other outreach efforts to help almost 180,000 Texans expected to lose Medicare+Choice coverage on January 1, 2001.
- Joined 44 public and private organizations, including 15 state agencies, to form the Alliance Against Underage Drinking and provide a Web site of information and other resources to fight the problem.
- Provided assistance in September 1999 to consumers in South Texas following Hurricane Bret.
- Investigated more than 28,000 complaints and helped return nearly \$34 million to consumers in additional claim payments and premium refunds.

Enforcement

- Reached an agreement requiring Allstate to pay \$4.5 million in restitution to Texans who paid too much for car insurance. The overpayments involved discounts for the age group 50-64, which Allstate computed against benchmark rates rather than the individuals' actual rates.
- Reached an agreement requiring Mid-Century Insurance Company of Texas to refund \$11 million in premium overcharges and to reduce rates by 3 percent.

Financial

- Established a system for monitoring the stock market activity of holding companies that own Texas-licensed insurance companies.
- Acted to assure Y2K readiness on the part of insurers operating in Texas. Texas insurance companies weathered Y2K with only minor problems.
- Approved PacifiCare's purchase of Harris Methodist Texas Health Plan Inc. and Harris Methodist Health Insurance Co.
- Assumed the vice-chairmanship of NAIC's Financial Condition Committee and the Financial Services Modernization Task Force.
- Adopted HMO net worth and risk-based capital rules.
- Accepted the NAIC Uniform Certificate of Authority Application, making Texas an NAIC "uniform state."
- Worked with several state agencies at request of Legislature to produce a comprehensive study recommending various state laws to implement the federal Financial Services Modernization Act in Texas.
- Initiated Guaranty Association Board Member Orientation Training.
- Established the Liquidation Oversight Investment Policy.
- Initiated a procedure to install an Imaging System at the Liquidation Oversight Records Center for purposes of receivership records retention.
- Closed nine receivership estates for Fiscal Year 2000.
- Recovered \$11,908,027 (net of expenses) in cash from receiverships.
- Distributed \$16,025,116 in cash from receiverships to the property and casualty guaranty association, which increased the funds available to pay claims of insolvent insurance companies and decreased the assessment of member insurers.
- Successfully concluded restructuring efforts of a multi-billion dollar group that included sales of assets, sales of business blocks, sales of insurance companies, and debt restructuring.
- Active monitoring of several large multi-billion dollar groups as they work through restructuring and reorientation.
- Streamlined and improved the review of actuarial opinions.

- Improved automation of data to expedite the actuarial P&C exams and develop HMO lag history.
- Hired a second accredited P&C actuary, who is certified at the highest level as a Fellow with the Casualty Actuarial Society (FCAS).
- Developed claim liability spreadsheets for HMO analysis.
- Updated the actuarial career path.
- Absorbed actuarial functions with fewer resources including processing 102 certificates of valuation.
- Completed training on ACL software to retrieve and manipulate data, which supports examination efforts.

Fraud

- Investigated a \$5 million insurance fraud scheme, leading to the conviction of a viatical settlement broker who was sentenced to 60 years in prison.

Health Care

- Adopted "clean claims" rules defining when claims submitted by physicians and other health care providers to HMOs and preferred provider carriers are subject to the 45-day statutory limit for making payment decisions. The new rules became effective August 1, 2000.
- Issued rules requiring 90 days' notice to enrollees before drugs are dropped from HMO formularies.

Internet

- Launched several new Web-based services: (1) a "company profile" search on TDI's Web site that allows visitors to pull up information on more than 2,700 insurers, HMOs and third-party administrators; (2) a new insurance resource page for small businesses; and (3) an HMO resource page that provides access to much of the HMO information available from TDI and other state agencies.
- Made agent license information from TDI's database available on the Internet through the state's new Texas Portal Project. Agent license renewals are expected to be added to the Portal Project early in FY 2001.
- Issued a bulletin providing guidance on electronic commerce to help insurers, agents and other licensees comply with Texas insurance laws as they move into the e-commerce arena.
- Received an "A" grade from the Consumer Federation of America for the agency's consumer publications and Web site.

Life Insurance

- Adopted the NAIC's revised XXX rule on life insurance reserves.
- Investigated race-based pricing in industrial life and other low-face-value life policy sales. Inquiries were issued to all 30 industrial life carriers.
- Put into effect life insurance illustration rules that must be followed in the sale of certain insurance,

including annuities, variable life, credit life and life policies.

Medical Malpractice

- Helped non-profit nursing homes obtain coverage through the state's Joint Underwriting Association by issuing a formal finding that medical liability coverage was not reasonably available to them in the voluntary market.

Miscellaneous

- Surveyed TDI customers and found that 75 percent were either very satisfied or satisfied with TDI services. Fewer than 10 percent indicated dissatisfaction. Nearly half of the respondents reported improvements in TDI services compared to two years earlier. The Legislature selected TDI to participate in the special assessment of customer satisfaction.
- Announced creation of a new arson hotline – 1-877-4-FIRE-45 (1-877-434-7345) – to report suspicious fires.

Property

- Started accepting certain property and casualty form filings sent electronically via SERFF (System for Electronic Rates and Forms Filing). Texas was the

11th state in the nation to start accepting the electronic filings.

- Approved optional residential property insurance discounts for stovetop fire suppression devices.
- Adopted new rules allowing staff to complete Residential Property MAP applications.

Title

- Helped reach accord whereby title companies agreed to help 12 property owners pay the cost of recovering their portions of the “Stovall Strip” in Elgin. The strip of land reverted to state ownership due to a surveying error.

Tort Reform

- Issued final rate reduction factors bringing tort reform cuts to an estimated total of \$2.9 billion over five years.

Windstorm

- Approved an expanded reinsurance program for the Texas Windstorm Insurance Association (Windpool), which offers windstorm and hail coverage along the Texas Coast. The action boosted the reinsurance amount from \$300 million to \$325 million, thus protecting against losses in state revenues and extending the life of the catastrophe reserve funds.

Commissioner's Office

The Commissioner, appointed by the Governor with the advice and consent of the Senate, is the agency's chief executive and administrative officer.

As the agency's chief administrator, the Commissioner oversees agency regulatory functions, establishes agency operating procedures and enforces state insurance laws. Enforcement includes disciplinary and legal actions against violators and other orders designed to protect Texas insurance consumers.

As part of his regulatory duties, the Commissioner issues benchmark rates for automobile and residential property insurance and presumptive rates for credit life and credit disability insurance.

The Commissioner also promulgates rates for title insurance, Texas Automobile Insurance Plan Association ("assigned risk plan") coverages and the Texas Windstorm Insurance Association ("Windpool").

In addition, the Commissioner reviews auto and residential property rates outside the flexibility bands, as necessary. The Commissioner may review rates submitted to the Department under "file and use" provisions for such lines as boiler and machinery, business owners, commercial multi-peril, credit and involuntary unemployment, crime, fire and allied commercial, general liability, glass, miscellaneous liability, mortgage guaranty, medical malpractice, other professional liability and commercial umbrella.

The Commissioner adopts rules implementing new laws and addressing problems in regulating companies and agents. In addition, the Commissioner appoints individuals to advisory boards and committees and oversees their operation.

In FY 2000, the Commissioner's Office included the Chief of Staff and six activities.

Chief of Staff and Senior Associate Commissioner for Administration

oversees Administrative Operations, which includes the agency's computer and data services, business planning and redesign, accounting, budget, building and records management, purchasing, mail services, human resources, as well as the agency ombudsman and ethics advisor.

General Counsel and Chief Clerk

serves as the Commissioner's chief legal adviser on contested cases, coordinates all rate hearings and assists in developing rules, setting rates and handling various appeals to the Commissioner. In addition, the office

coordinates matters involving contested cases and rule-making, performs legal research, certifies rules for the agency and maintains records and proceedings involving Commissioner actions. The office also handles several hearings-related duties, including

coordinating hearing notices and scheduling of hearings with the State Office of Administrative Hearings (SOAH), along with providing a required court reporter.

Chief Economist serves as the Commissioner's chief research and technical adviser. In FY 2000, the Chief Economist provided studies of insurance markets and developed analyses of regulatory policies, including the impact of proposed rules.

Executive Services provides clerical and other support services to the Commissioner and staff.

Internal Audit serves as an independent appraisal activity within the Department to evaluate financial, administrative, operational and compliance controls and to make recommendations to the Commissioner and agency management for improvement. Internal Audit provides support in attaining agency goals by furnishing analyses, appraisals and recommendations of the activities reviewed. An important part of Internal Audit's role is to identify ineffective, inefficient and inappropriate policies, procedures, programs, activities and processes and to serve as a resource and adviser to management.

Government Relations serves as TDI's liaison with the Legislature and other governmental entities. Major responsibilities are: help the Commissioner determine the legislative needs of the agency; report to the Legislature; coordinate and track agency-wide responses to legislative and constituent inquiries; monitor and analyze legislation affecting the agency; update agency staff on the status of legislation; coordinate the appearance of agency staff for testimony before various legislative committees; oversee implementation of legislation; compile and index all insurance and agency-related legislation adopted by the legislature for use on TDI's Web site; distribute requested information to legislators, committees and other governmental entities; research and review possible appointments to various boards and committees required to assist the department.

Public Information Office serves as the agency's primary contact with the news media and also responds to information requests from consumers, the insurance industry and other regulators and government agencies. Major communication responsibilities involve:

- Researching, writing, editing and distributing news releases; announcing agency actions; conducting and coordinating interviews with the news media; assisting the Commissioner in drafting articles and consumer columns for various publications and TDI's Internet Web site; operating NEWSline, a toll-free information line that gives radio stations prerecorded insurance information; maintaining Internet Web pages for insurance-related information of interest to the news media; providing weekly news media tips on upcoming hearings; providing expertise in radio-television production; and responding to information requests.
- Coordinating electronic mail among TDI, other state insurance departments and the National Association of Insurance Commissioners.
- Coordinating the writing and editing of the Annual Report to the Governor and Legislature.
- Writing speeches; writing and editing the agency's regulatory newsletter (Texas Insurance News); working with other TDI programs to provide information through an Internet Web site; writing and overseeing production of radio and television public service announcements (PSAs) and other videos; writing and editing consumer brochures and consumer-oriented newspaper columns in cooperation with other TDI divisions; designing, illustrating and producing agency publications and related print materials; and responding to information requests.
- Producing the agency's employee newsletter (The Bulletin Board); providing a weekly summary of significant trade journal articles; issuing electronic news and information bulletins to TDI staff; sending out electronic agency news items; and helping edit various agency reports and documents.

At the close of FY 2000, the Public Information Office also assumed responsibility for overseeing the content and non-technical areas of TDI's Web site.

Highlights

General Counsel/Chief Clerk

- Reviewed, briefed and advised the Commissioner on 43 rulings in connection with contested cases heard by the State Office of Administrative Hearings, including disciplinary cases and industry-wide rate cases. Also reviewed, briefed and advised the Commissioner on other rate matters concerning title insurance, home equity insurance, the Texas Windstorm Insurance Association (TWIA) and tort reform.
- Briefed and advised the Commissioner on 11 appeals of decisions from the Texas Windstorm Insurance Association (TWIA).

- Provided legal and technical review in connection with the adoption of 15 new rules, the repeal of six rules and the amendment of 20 previously adopted rules. Twelve proposed rules were pending at the end of FY 2000.
- Reviewed and advised the Commissioner regarding five assurances of voluntary compliance (AVC) and 230 consent orders in connection with agents and insurers.
- Provided legal and technical review in connection with the adoption of 17 Manual rules under Article 5.96 of the Texas Insurance Code. Twelve were still pending at the end of FY 2000.
- Continued to streamline the agency's internal rulemaking process.
- Updated additional portions of TDI's database of Commissioner orders and bulletins. The database now includes 37 years of orders by insurance commissioners and the former State Board of Insurance.
- Maintained the Commissioner's agendas on TDI's Web site and worked with other areas to circulate proposed rules and post bulletins via the Internet.
- Approved and processed bulletins and other non-disciplinary or rate orders signed by the Commissioner of Insurance.
- Maintained and prepared for archiving all contested-case hearing files (Official Administrative Record) and all other administrative hearing files of the Commissioner of Insurance or his delegate, as well as assisted the Office of the Attorney General in related appeals filed with the District Court.
- Briefed and advised the Commissioner of Insurance and other staff members in hearings concerning rules and other regulatory matters.
- Placed all (proposed/adopted) rules on the agency Web site.

Chief Economist

- Began investigating computer catastrophe models, their use in ratemaking and the process by which insurers and modelers justify their relevancy.
- Studied the feasibility of different rate regulatory systems.
- Developed recommendations for designating underserved markets in automobile insurance.
- Analyzed factors leading to automobile insurance under-served markets.
- Participated in the review and recommendation concerning homeowners and automobile benchmark rates.
- Participated in the process of reviewing title insurance rates and rules.
- Participated in reviewing presumptive credit life and credit disability insurance rates.

Executive Services

- Helped the Commissioner and staff respond to all inquiries directed to the Commissioner of Insurance.
- Coordinated the activities of the Commissioner of Insurance and agency staff as directed by the Commissioner.

Internal Audit

- Conducted four financial-related or performance audits, including a statutorily required audit of seized/forfeited property. Two of the four audits were on-going at fiscal year-end.
- Served as the Department's liaison to external auditors on one project, which was the State Auditor's Office (SAO) audit of the Texas Life, Accident, Health and Hospital Service Insurance Guaranty Association. The SAO issued its audit report on August 30, 2000.
- Served as an advisor on 10 advisory/monitoring projects. Five were long-term projects that spanned multiple years and included the Planning Work Group Advisory, the Year 2000 Advisory, the Performance Measure Self-Audit, an advisory involving the definitions and methodologies of TDI's performance measures and the Document Management Advisory. Other advisory projects started in FY 2000 included the FY 2000 Users and Power Users Meetings Advisory, an advisory project on development of TDI's Laptop Computer Policy, and an advisory project for TDI Accounting on Governmental Accounting Standards Board Statement 14.
- Conducted eight investigations as authorized under Section 2102.003 (2) (E) of the *Government Code*. Two of the investigations were in process at fiscal year-end.
- Conducted four information system/telecommunication audits including an audit of telephone services for FY 2000, an audit of TDI's Internet firewall logs, a review of the Policy Approval Tracking (PATK) System for a proper audit trail and a review of the Cash Receipts Computer Application System. Three of these projects were completed by fiscal year-end.

Government Relations

- Tracked and coordinated implementation of more than 138 insurance-related bills passed during the 76th legislative session (1999), which resulted in approximately 592 implementation items for TDI.
- Published bill implementation information on the Department's Web site.
- Worked with bill authors and sponsors of legislation and kept them advised of implementation developments

- Assisted TDI staff with committees, including the newly created Advisory Committee on Fireworks and the Windstorm Building Committee on Code Specifications and Maintenance for the Texas Windstorm Insurance Association.
- Monitored and attended meetings of various boards and committees, including legislative interim committees, for the Commissioner of Insurance.
- Coordinated appointments of members to advisory committees and boards.
- Coordinated TDI staff assistance to interim legislative committees.

Public Information Office

- Continued efforts with the Inspections Division to educate coastal consumers on the state's new Building Code for Windstorm Resistant Construction. The FY 2000 project included news conferences in several coastal cities.
- Initiated a "Good Rates for Good Drivers" campaign with Consumer Protection and the Property and Casualty program to promote TDI's Automobile Insurance Market Assistance Program (MAP). PIO's effort included production of consumer columns, news releases, news conferences in six cities, graphic presentations and TV public service announcements. The kick-off news conference was held in Austin on September 7, 1999.
- Helped plan an on-line application for those wanting to apply for help from the Automobile Insurance MAP.
- Continued a campaign to tell homeowners in underserved areas about the state's home insurance market assistance program that links homeowners and tenants unable to find coverage with 17 participating insurance companies.
- Redesigned and maintained an Internet Web site for the Texas Health Insurance Risk Pool.
- Worked with other areas of TDI, as well as the State Office of Emergency Management, to keep Texans aware of Year 2000 issues in the regulation of insurance companies, as well as Y2K preparedness of TDI.
- Worked with Consumer Protection, Information Services and the webmaster and gatekeepers to create new insurance-related Web pages for small businesses and consumers looking for information on HMOs.
- Assisted the State Fire Marshal's Office during Arson Awareness Week with news conferences in Tyler and Longview concerning the new Arson Hotline.

Figure 6
Summary of Activity – Commissioner’s Office

	FY 1999	FY 2000
Commissioner’s Hearings/Meetings	43	44
Commissioner’s Orders ¹	1,798	1,538

¹ Commissioner’s Orders in FY 2000 included 304 disciplinary orders, 59 rules/manual orders, 967 company activities orders, 76 authority orders for temporary acting commissioner, 14 delegation orders for routine actions and 118 other orders.

Figure 7
Commissioner’s Contested Cases by Type

	FY 1999	FY 2000
Total Hearings Conducted for Commissioner¹	52	43
Rate Hearings ²	2	4
Disciplinary	30	21
License Applications	5	7
Appeals/Other ³	15	11

¹ Total number of actual hearings conducted for the Commissioner by the State Office of Administrative Hearings (SOAH), as well as any hearings conducted by the Commissioner. The count excludes prehearing conferences and additional days of extended hearings.

² Rate hearings in FY 2000 included three industry-wide hearings and one individual rate hearing.

³ Appeals/Other includes appeals of actions taken by the Texas Workers’ Compensation Insurance Facility, now known as the Facility Insurance Corporation, the Texas Windstorm Insurance Association (TWIA) and the Texas Medical Liability Insurance Underwriting Association (Joint Underwriting Association).

Figure 8
Summary of Activity – Internal Audit

	FY 1999	FY 2000
Projects Completed	30	26
Reports Issued	19	14

Figure 9
Summary of Activity – Public Information Office

	FY 1999	FY 2000
Press Releases ¹	73	72
News Tips	50	50
NEWSLine Audio Releases	15	13
Speeches/Testimony	28	36
Graphic Design Orders Filled	204	217
General Information Requests	4,133	N/A ²
Electronic Bulletins	560	535
Electronic Managers' Memos	0	N/A ²

¹ Press releases do not include the 24 consumer columns issued by the Commissioner of Insurance (12 English, 12 Spanish), nor does the summary include 12 issues of Texas Insurance News (a regulatory newsletter for agents and the industry), 12 issues of the Bulletin Board (the employee newsletter) or 50 issues of the Trade Journal Summary (industry news items for TDI personnel).

² The Public Information Office no longer collects data for this measure.

Legal and Compliance

Legal and Compliance enforces the *Texas Insurance Code*, investigates and takes action in connection with company and agent misconduct, drafts rules and provides legal advice and support to the agency.

Legal and Compliance consists of five sections:

Agency Counsel section provides legal advice to the Commissioner and agency staff regarding internal agency operations, including contract matters, personnel matters and open records requests. The section staff also negotiates contracts, drafts proposed policies and rules.

Regulated Lines Counsel section drafts rules and provides legal advice and expertise in matters relating to property and casualty lines; life, accident and health insurance; managed care plans; workers' compensation; and other regulated lines of insurance. Regulated Lines Counsel also assists on rate-related issues and agents' licensing matters.

Financial Counsel section provides legal advice and representation in matters involving financial solvency and conservation, drafts rules, reviews holding company transactions and provides support regarding company licensing matters. Financial Counsel also brings enforcement actions against insurers, HMOs and title companies resulting from statutorily mandated examinations.

Enforcement section brings administrative actions as warranted against licensed companies and agents for violations of the *Texas Insurance Code* or the *Texas Administrative Code*. It also takes administrative action against unauthorized agents and companies. In addition, it investigates allegations of illegal activities and prosecutes disciplinary actions that may result in cease-and-desist orders, license denials, revocations, administrative penalties and restitution to harmed consumers. The section refers cases for criminal prosecution and works with the Office of the Attorney General (OAG) on appeals of enforcement actions. It also prosecutes violations that affect marketing and servicing of insurance products or TDI's ability to regulate the industry, recognizing that insurance must be sold and serviced in a fair and competitive market, free from deceptive practices and unlawful competition.

Compliance Intake Unit provides data and file management and public assistance telephone support to the Legal and Compliance Division. The section is also responsible for analyzing and referring complaints and reports to the appropriate areas within Legal and Compliance. Such referrals generally are made within 48 hours of receipt.

Legal and Compliance includes a Special Litigation Counsel and International Regulatory Counsel/Special

Counsel to the Commissioner. The program also oversees the agency's Library.

Special Litigation Counsel provides advice, analysis and assistance to the agency in connection with complex and significant enforcement, litigation and regulatory issues.

International Regulatory Counsel/Special Counsel to the Commissioner provides legal advice and support to the agency and the Commissioner on international insurance regulatory issues. The Counsel's office was created to monitor and comply with the agency's requirements under the North American Free Trade Agreement and other trade accords, and to resolve legal disputes and serve as liaison to insurers, government agencies and other countries on cross-border insurance matters.

Highlights

In Fiscal Year 2000, Legal and Compliance:

- Obtained \$8,218,017 in restitution for consumers and assessed \$1,233,030 in administrative penalties, fines and forfeitures. The restitution and penalties included:
 - Refunds of approximately \$11 million to policyholders, in addition to future rate reductions of approximately \$8 million, resulting from a challenge to the private passenger automobile insurance rates charged by Mid-Century Insurance Company of Texas.
 - Refunds of \$5,840,247 in overcharges to policyholders of Allstate Indemnity Company and Allstate Property and Casualty Insurance Company. The overcharges, collected from 1995 to 1999, were the result of the improper calculation of a discount offered to drivers between the ages of 50 and 64.
 - A penalty of \$305,800 and millions of dollars in restitution and other relief assessed against American General Life & Accident Insurance Company to African-American Texans who bought small "industrial life" insurance policies and paid higher premiums than other consumers.
 - Participated in settlement of a lawsuit that resulted in restitution of \$3,293,866. The restitution went to policyholders of the Orion Insurance Group who did not receive refunds of surplus workers' compensation premiums paid into the Texas Workers' Compensation Facility for retrospectively-rated insurance during 1991-92.
- Worked closely with the Department's Financial Program to assure that all licensed insurers in Texas were prepared to continue operations into the year 2000 without an interruption of service to policyholders.
- Provided legal assistance in preparing amendments to the tort reform rate reduction rules to establish rate

reduction percentages for liability policies issued in 2000.

- Participated in five industry-wide rate proceedings: the title insurance rate hearing, the credit insurance rate hearing, the private passenger and commercial automobile insurance benchmark insurance rate hearing, the Texas Automobile Insurance Plan Association (TAIPA) rate hearing and the residential property rate hearing. In each of these proceedings, staff retained an actuarial expert and provided testimony and evidence.
- Assisted in the implementation of the premium deficiency reserve rule for HMOs that requires up-front funding of anticipated losses emanating from an HMO's provider contracts.
- Worked closely with the Financial Program to review the Form A application that PacifiCare Health Plan Administrators, Inc. filed with the Department to acquire Harris Methodist Texas Health Plan, Inc. and provided advice and support in drafting the Commissioner's Order of Approval. The order approved the \$117.5 million acquisition which included provisions to assure continued coverage or a smooth transition to alternate coverage for the Harris enrollees.
- Worked closely with the Financial Program and the Conservator's staff in an attempt to rehabilitate Unistar Insurance Company, Bankers Commercial Life Insurance Company, and Medical Community Insurance Company. Ultimately, all three companies had to be placed in receivership.
- Led the way on the interpretation of the Gramm-Leach-Bliley Act (GLBA) and contributed significantly to the report to Senate Economic Development, House Insurance and House Financial Institutions committees on statutory changes necessary to properly implement GLBA.
- Provided substantive and administrative support in preparation of the clean claim rules to implement major legislation (HB 610) enacted by the 76th Texas Legislature which imposed new substantive and procedural requirements and timelines for prompt payment and processing of physician-provider claims submitted to HMOs and preferred provider carriers. The Order adopting this rule was signed by the Commissioner on May 3, 2000.
- Provided substantive and administrative support in the preparation of the proposed viatical and life settlement rules, implementing HB 792 (76th Legislature), which added language to address life settlements, clarify filing requirements, and require additional disclosures, contract provisions and reporting. Texas leads the country with the most comprehensive viatical and life settlement regulation.
- Worked on the Exclusive Provider Organization prototype contract for the Children's Health Insurance Plan (CHIP); drafted standards on Quality Improvement Programs, credentialing of providers and member access to care for an exclusive provider plan (EPP) offering dental benefits;

and prepared a chart of suggested changes to the dental EPP contract and standards for the CHIP program.

- Provided substantive and administrative support in the preparation of amendments to the plan of operation of the Residential Property Market Assistance Program (MAP) to allow the application process to be handled directly by Department staff without requiring that the MAP application be submitted through an originating agent. These amendments increase the efficiency of the MAP by allowing Department staff to complete MAP applications over the telephone.
- Provided substantive and administrative support in the preparation of several amendments to the Building Code for Windstorm Resistant Construction. These amendments will facilitate compliance by coastal builders with the new coastal building code by making the building code easier for builders and inspectors to use.
- Provided substantive and administrative support in the preparation of rules regarding the funding, administration, and distribution of funds from the Catastrophe Reserve Trust Fund. These rules were adopted by the Commissioner on August 1, 2000.
- Worked with other areas of the agency to update the agency's personnel and operational policies. TDI employee manuals are located on the agency's shared network drive to facilitate access. Distribution of hard-copy manuals has been reduced to management and special requests. This has eliminated printing and paper costs, while ensuring each employee has access to the most recent information on agency policies.
- Implemented a revamped computerized system and centralized the billing process for open records requests to help ensure that the Department continues to provide timely and customer friendly responses to requests for information under the Texas Public Information Act.
- Drafted a Contract Management and Administration policy to ensure that each Department contract and contract revision is properly reviewed and approved within the Department and that each contractor's performance is carefully monitored. The policy was adopted by the Commissioner in April 2000.
- At the request of the United States Trade Representative (USTR), joined the National Association of Insurance Commissioners (NAIC), and other state and U.S. government officials in discussions with representatives of the European Commission in an effort to exchange information in connection with talks on a Transatlantic Economic Partnership (TEP), including information about the respective insurance regulatory systems with a view to identification of areas for mutual recognition and other steps to facilitate trade.
- Provided the NAIC delegate to the 10th Annual Assembly of the Association of Latin American Insurance Superintendents (ASSAL) and participated in various roundtables concerning ways of increasing efficiency and uniformity in regulation of insurance.

Figure 10
Summary of Activity — Legal and Compliance

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Cases received ¹	2,535	1,541	1,160	1,021	1,049
Cases closed ²	2,530	1,654	1,320	1,059	1,008
License revocations ³	108	76	62	59	69
License denials ⁴	51	41	57	23	16
License suspensions/suspensions of writing ⁵	6	11	5	12	14
Cease and desist orders ⁶	4	4	3	1	0
Monetary forfeitures/restitution orders ⁷	71	54	128	162	202
Assurances of voluntary compliance ⁸	44	50	32	31	5
Forfeitures/assessments/Restitution ⁹	\$2,179,383	\$78,270,762	\$15,623,697	\$4,363,158	\$9,451,047
Cases referred to attorney general/district attorneys ¹⁰	0	1	0	0	0

¹ The Fraud Unit became a separate division in FY 1996, causing a reduction in cases received by Legal and Compliance. Procedures changed to link complaints received to existing cases when possible. In addition, complaints are now more closely scrutinized and resolved before a case is opened.

² The Fraud Unit became a separate division in FY 1996, causing a reduction in cases received and closed by Legal and Compliance.

³ Revocations have decreased as TDI has relied more on probation, payment of a fine and restitution to consumers rather than license revocation.

⁴ Procedural changes in the Licensing Division have led to a decrease in the number of Legal's license denial cases. It was determined that some licensing matters could be handled directly by Licensing.

⁵ This includes actions against financially hazardous companies under Article 1.32, Texas Insurance Code.

⁶ The number of cease and desist orders in the Legal and Compliance Program decreased as a result of the Fraud Unit becoming a separate division in FY 1996.

⁷ These orders have more than tripled since FY 1997. More agents and companies are being assessed fines and payment of restitution instead of revocation of licenses. This number does not include assurances of voluntary compliance; only orders are included. It also includes Fire Marshal orders.

⁸ TDI is focusing more on commissioner's orders rather than voluntary agreements.

⁹ In FY 1997 and FY 1998, TDI resolved several large enforcement cases. The FY 1999 total does not include an estimated \$3.1 million in restitution to be paid to policyholders of the Orion Group as part of a settlement in a lawsuit. Although the order was entered in FY 1999, the actual amount was assessed in FY 2000 and is included in the FY 2000 totals. The FY 2000 total also includes an assessment of \$4.5 million in restitution against Allstate Indemnity, although the amount of restitution actually paid was \$5,840,247.

¹⁰ The Fraud Unit, which became a separate division in FY 1996, now handles the referral of these kinds of cases.

Insurance Fraud Unit

The Insurance Fraud Unit investigates and prepares cases for criminal prosecution based on evidence of fraud committed by persons engaged in the insurance business, whether licensed or unauthorized, and claim fraud committed by policyholders, service providers and others.

The Unit consists of two investigative sections and one administrative section.

Unit Management includes the Associate Commissioner and Deputy Commissioner / Chief investigator. By statute, the Chief Investigator supervises and directs all peace officers and coordinates and oversees all investigations conducted by the Fraud Unit. The Fraud Unit is staffed with three criminal attorneys. Their duties include advising and directing investigators, preparing affidavits and search warrants and serving as special prosecutors.

Insurer Fraud investigates fraud cases involving companies, agents and other TDI licensees, including third party administrators, continuing care retirement communities and eligible surplus lines insurers, as well as fraud cases involving unlicensed insurance operations. Among these are entities falsely claiming exemption from regulation under the Employee Retirement and Security Income Act (ERISA), including unlicensed Multiple Employer Welfare Associations (MEWAs.)

Claimant and Provider Fraud

investigates staged accident rings, fake burglary claims, staged slip-and-fall cases and other suspicious liability insurance claims. Investigators also examine reports of fraudulent billing by health care providers, as well as reports of unlicensed providers and fraud rings involving health insurance claimants, providers and unlicensed providers and fraud rings involving health insurance claimants, providers and attorneys. Fraudulent billing may include instances of over-billing, double billing, billing for procedures not performed and “unbundling” of charges to artificially inflate billings.

Fraud Unit History

Concern over insurance fraud and the Department’s ability to detect it resulted in legislation passed in 1989 giving the Travis County District Attorney statewide jurisdiction to prosecute insurer fraud.

Improvement in fraud-fighting efforts continued when the 72nd Legislature created the Insurance Fraud Unit in 1991. The Fraud Unit became active in January 1992. The 74th Legislature in 1995 made significant changes in TDI’s fraud enforcement authority. Legislation authorized the

Commissioner of Insurance to commission eligible fraud investigators as peace officers, removed the requirement that a pattern of fraud be established before TDI could investigate alleged consumer and established provider criminal penalties, ranging from a Class C misdemeanor to a first degree felony, for insurance claim fraud.

TDI’s Fraud Unit has doubled in size since FY95 with the addition of investigators, criminal analysts and attorneys. The Texas Commission on Law Enforcement Officer Standards and Education recognized the unit as a law enforcement agency, effective September 1, 1995. Law enforcement agency status, with commissioned peace officers, enhances TDI’s anti-fraud efforts by giving the agency: (1) access to criminal intelligence, including national and regional crime databases, that only peace officers may legally receive; (2) authority to make arrests and execute search warrants; and (3) authority to take cases to grand juries and request and serve grand jury subpoenas.

On a national level, the unit works with the Coalition Against Insurance Fraud, the National Insurance Crime Bureau, The National Association of Insurance Commissioners (NAIC) and federal law enforcement agencies such as the FBI, IRS, U.S. Postal Service and U.S. Attorneys.

Highlights

In Fiscal Year 2000, the Insurance Fraud Unit:

- Obtained 84 indictments that included theft, conspiracy, insurance fraud, misapplication of fiduciary property, securing execution of a document by deception and unauthorized insurance activity.
- Arrested, either directly or with other law enforcement officer, five suspects indicted on charges involving alleged insurance fraud.
- Obtained 74 convictions, through various Texas district attorneys, on charges resulting from Fraud Unit investigations.
- Participated in numerous criminal task forces around the state involving white-collar crime and insurance fraud.
- Hosted the second annual statewide training session for insurance company special investigation units and law enforcement in January 2000.
- Completed database conversion of all Fraud Unit case history data to ASIS Case Management System.
- Implemented procedures for efficient operation of Fraud Unit’s intake operations.

Figure 11
Summary of Activity — Insurance Fraud Unit

	FY 1998	FY 1999	FY 2000
Cases Received (Reports of Fraud) ¹	1,619	1,623	2,220
Cases Closed ²	456	491	311
Cases Opened ³	N/A	N/A	489
Forfeitures/Assessments (Fines & Penalties)/Restitution	\$1,649,498	\$775,115	\$4,181,135
Cases Referred to Attorney General/District Attorneys	88	178	175
Indictments	79	119	84
Arrests By Fraud Unit Peace Officers ⁴	5	16	5
Convictions	54	60	74

1 Term used in Fraud Unit and in Fraud Unit performance measures.

2 Cases closed won't be tracked after FY 2000. Instead, cases opened will be used in the summary of activity.

3 Not tracked previously. New case management system uses cases opened instead of reports of fraud received.

4 This figure represents only arrests executed directly by Fraud Unit Peace Officers or in which Fraud Unit Peace Officers participated.

Note: *Civil enforcement actions, including cease and desist orders, other enforcement orders, assurances of voluntary compliance and monetary forfeitures/restitution orders are handled by Legal and Compliance. Fraud now handles only criminal prosecutions.*

Financial

Financial licenses all companies operating in Texas and monitors the solvency and market conduct of 2,054 licensed insurance companies, and health maintenance organizations (HMOs). In addition, the Program seeks to rehabilitate companies that fall short of solvency standards and eventually liquidates the few that cannot be rehabilitated. In FY 2000 the Financial Program's monitoring efforts increasingly included evaluating insurers in the context of the insurer's group organization and activities.

The total of all entities that are either licensed, registered or otherwise eligible to operate in Texas (including surplus lines insurers, third party administrators and continuing care retirement communities, multiple employer welfare arrangements, etc.) is about 3,000. Annual statements filed by insurers and HMOs for Calendar Year 1999 reported \$60.7 billion in Texas premiums and \$45.6 billion in claim payments to Texas policyholders. These companies reported aggregate assets of \$4.1 trillion, liabilities of \$3.6 trillion and capital and surplus of \$548.2 billion. More information from insurance company annual statements may be found in Part IV of this report.

Financial Program consists of five activities.

Company License & Registration

licenses both foreign and domestic insurance companies, maintains company charter files and processes and approves certain transactions for admitted insurance companies. It also processes licensing applications for health maintenance organizations, registers eligible non-admitted insurers and risk retention/purchasing groups, oversees statutory deposits of licensed companies and corporate agencies and maintains the agency database of both licensed and registered companies. Company License includes the Early Warning Unit, which supports agency-wide efforts to detect potentially troubled insurance companies quickly. The unit administers the Early Warning Information System, a computer database that historically has captured information from agency divisions and identified favorable and unfavorable trends within companies. Early Warning is now increasing its focus on industry and sub-industry trends, and utilizing the Internet, Securities Exchange Commission filings, and rating agency actions to supplement the agency's data on companies and groups. The Contract Administrator for the Financial Program is housed in this Division and coordinates contract functions related to Special Deputy Receivers, contract examinations, contract actuaries, etc.

Financial Analysis & Examinations

The financial analysis staff reviews annual and interim financial statements, CPA audits, examination reports, reinsurance arrangements and other documents to determine the financial condition of insurance companies, health maintenance organizations (HMOs) and other licensed insurance entities and to initiate recommendations for regulatory actions as appropriate, such as supervision and

conservation. It reviews changes of control, mergers, affiliate agreements and investments and holding company registration statements of insurance companies domiciled, or commercially domiciled, in Texas. In addition, it reviews all applications for admission, service area expansions, and agreements/contracts of HMOs and monitors the operational and financial condition trends of the HMO industry in Texas.

The examinations staff performs statutory examinations of a variety of entities regulated by the Department, including insurers, health maintenance organizations (HMOs), premium finance companies, managing general agents (MGAs), reinsurance intermediaries and multiple employer welfare arrangements (MEWAs). These examinations evaluate a company's financial condition and compliance with performance standards required by law, including treatment of policyholders. Examinations occur on-site at company locations throughout the United States and may last from a few days to several months. The staff suggests ways to correct deficiencies uncovered by the examinations and initiates referrals for further regulatory action. In addition, the activity processes annual operations reports required of premium finance companies. To hold down travel expenses and provide adequate oversight of the examination process, regional offices are maintained in Dallas, Houston and San Antonio.

Actuarial Division performs actuarial examinations that focus on the adequacy of reserves and other actuarial issues for both life insurance companies and property and casualty insurance companies. These actuarial examinations are coordinated with the examinations performed by the Financial Analysis & Examinations activity. The division reviews actuarial opinions, processes Certificates of Valuation and provides input to other divisions in the review of actuarial reports for HMOs and other entities. Actuarial also performs actuarial analyses and actuarial projects that relate to solvency, availability of coverage, policy values, disclosure and consumer equity.

Conservation provides supervision and conservatorship services. These services typically follow informal regulatory actions, such as management conferences, or required filings of business plans with TDI analysts. More formal actions are administered by the Conservation Division and may include issuing hazardous condition orders or placing a troubled entity into supervision or conservation.

Supervision may last up to 180 days. Conservation field examiners use that time to work with owners and management to determine the company's financial condition, check internal management controls and operating procedures, and prepare and implement a rehabilitation plan. Conservation releases the company if the company can show that the requirements of the Commissioner's supervision order have been satisfied.

Conservatorship requires that a conservator be appointed to take charge of the company. It lasts for 90 days, with possible 30-day extensions for up to six months. During this time, the Conservator pursues rehabilitation or an orderly wind-down of the company's business.

Conservator's Report at the beginning of Fiscal Year 2000 showed Conservation had 35 insurance companies under supervision, conservatorship or special administrative and court-directed actions. Another 28 came to Conservation during the fiscal year, while 31 were closed, leaving a year-end balance of 32 companies.

Liquidation Oversight. (Note: Liquidation Oversight began reporting directly to the Senior Associate Commissioner of Financial effective September 1, 2000.) If a company cannot be rehabilitated and is found to be insolvent, the Commissioner may ask the Attorney General to petition the District Court in Travis County to place the company in receivership, which involves liquidation of the insurer by a special deputy receiver (SDR) and payment of outstanding covered claims by the appropriate guaranty association. Liquidation Oversight monitors and evaluates each SDR's performance by analyzing business plans, including financial statements, cost benefit analyses, budgets, estimated general administrative expenses and other planned activities, as required by the *Texas Insurance Code*. Oversight also monitors the state's guaranty associations to ensure the appropriate and fair processing of receivership related claims and complaints, and maintains the records of insolvent insurers during and after receivership.

Liquidation Oversight's Receivership Report showed three insurers placed in receivership during Fiscal Year 2000: one property and casualty company and two life, accident and health companies. Four entities — one health maintenance organization, two life, accident and health companies and one Third Party Administrator — were placed in receivership in Fiscal Year 1999. One property and casualty company, two life, accident and health companies, and one fraternal company were placed into receivership in Fiscal Year 1998.

In FY 2000, the Commissioner issued orders declaring three foreign companies (companies domiciled outside Texas) — life, accident and health companies — to be impaired. The agency evaluates on a case-by-case basis whether to seek district court orders allowing seizure and liquidation of company assets or holdings located in Texas. The majority of receivership actions against foreign companies are left to the states where the companies are domiciled.

The Texas Property and Casualty Insurance Guaranty Association made no assessments in FY 2000 and made no refunds to member insurers. The Texas Life, Accident,

Health and Hospital Service Guaranty Association made assessments of \$15,231,151 in Fiscal Year 2000 and made no refunds to member insurers. The Title Insurance Guaranty Association made no assessments in FY 2000.

No unauthorized entities were placed into receivership in FY 2000. Such actions are now generally handled through cease-and-desist orders or actions by the Texas Attorney General.

During FY 2000, nine receivership estates were liquidated and closed. That left 24 active receiverships in the process of liquidation — 15 property and casualty companies, eight life, accident and health companies, no title companies, no fraternal companies and 1 health maintenance organization. Liquidation Oversight anticipates closing about 15 of the 24 active receiverships in FY 2001.

Three key components in overseeing receiverships are:

Special Deputy Receivers — When insolvent insurers are placed in receivership by the District Court in Travis County, Texas, the Commissioner is designated as Receiver. As Receiver, the Commissioner contracts with an SDR to administer the receivership. The Insurance Code mandates that the SDR is selected through a competitive bid process.

Guaranty Associations — Certain claims against an insolvent insurer are payable by one of three guaranty associations: Texas Property and Casualty Insurance Guaranty Association; the Life, Accident, Health and Hospital Service Guaranty Association; and the Texas Title Insurance Guaranty Association. Funds utilized by the guaranty associations to pay claims are derived from two sources: assessments of member insurers and distributions from receiverships.

Receivership Court (The Special Master) — The District Court in Travis County, Texas, is designated by statute as the Receivership Court. It is this court where receivership actions are brought by the Texas Attorney General, as well as the court where suits by and against the Receiver are brought. The court also has exclusive venue over suits against guaranty associations. In addition, the Insurance Code provides that the Receivership Court provide judicial supervision for each receivership. The Receivership Court has appointed a Special Master to assist it in this role. The appointment of the Special Master to supervise receivership court proceedings provides a resource for collective expertise in the complex area of receivership law. Receivership assets fund receivership court costs.

Part III, the Receiver's and Conservator's Report, provides more complete information on the individual receiverships and guaranty association accounts.

Highlights

Major accomplishments by the Financial Program for Fiscal Year 2000 included:

- Implemented two organizational restructurings resulting in improved communications and more efficient operation: (1) creation of a new Company Licensing and Registration Division comprised of the former Insurer Services, Early Warning, and SDR Contract Administrator divisions, and (2) the merger of the Financial Analysis Division and the Examinations Division).
- Became a participant in NAIC's Accelerated Licensure Evaluation Review Technique (ALERT) project and began using the Uniform Certificate of Authority (UCAA) application for company licensing.
- Expanded Early Warning's focus to serve the entire Financial Program and to incorporate use of stock market activity, rating agency actions, and other public disclosures to monitor group activity of companies licensed or eligible in Texas.
- Led the coordination of several multi-state oversight efforts of large company groups, including restructurings, mergers, acquisitions and sales of business.
- Took a leadership role in the national Y2K efforts, both through the NAIC's Y2K Industry Preparedness Task Force and the President's Council on Y2K; completed state Y2K efforts, including the conduct of approximately 800 examinations, to assure the smooth millennium transition of companies authorized to operate in Texas.
- Completed the review of approximately 41 acquisitions or restructurings of insurance companies or HMOs based in Texas, with purchase prices totaling over \$8 billion.
- Took an active role in efforts to implement the Federal Gramm-Leach-Bliley Act, supporting the Commissioner in five new NAIC working groups, in communications with state and federal regulators, and in working with state banking and securities regulators to produce a comprehensive study and recommendations to the Legislature.
- Led a lengthy and comprehensive project, in conjunction with interested parties, to analyze and prepare for implementing new statutory accounting guidelines resulting from the NAIC's six-year codification project in which the Program had actively participated.
- Promoted and heavily increased the use of automation in the regulatory process, such as Internet filings with the NAIC, data analysis on actuarial examinations and reviews, new ACL software for examiners, and imaging of receivership records.
- Streamlined the review of actuarial opinions and Certificates of Valuation.
- Strengthened actuarial expertise by adding a second accredited Property and Casualty actuary (Fellow of the Casualty Actuarial Society) and by updating the Program's actuarial career path.
- Completed rehabilitation efforts resulting in 10 companies released or sold and 4 companies voluntarily dissolved.
- Continued recent year trends of low number of insolvencies and low impact to guaranty funds and the general revenue by placing only 3 companies in receivership; successfully assisted in moving policyholders to viable companies in 2 of the 3 receiverships.
- Closed 9 receivership estates.
- Recovered cash of \$12 million (net of expenses) through the receivership process.
- Continued extensive monitoring and rehabilitation efforts of the financially troubled HMO industry; led the Agency's coordination with the HMO Solvency Surveillance Task Force.
- Strengthened professional development of staff through a program-wide conference covering the new Federal Financial Modernization Law, privacy, uniformity standardization of regulation and reinsurance.
- Proposed and implemented key regulations for HMOs, primarily regarding net worth and Risk Based Capital requirements and hazardous financial conditions.
- Proposed and implemented regulations for the filing of financial statements and for the location of books and records of companies licensed in Texas.
- Proposed new regulations regarding surplus lines, the Plan of Operations for the Surplus Lines Stamping Office of Texas, deferrals of examinations, risk-based capital for property /casualty, life/health, and fraternal insurance companies, and audits of guaranty associations.
- Implemented orientation programs for board and committee members appointed by the Commissioner (guaranty associations, stamping office).
- Heavily contributed to NAIC and other educational programs on uniform licensing, reinsurance, etc.
- Increased international involvement in regulation and standardization, including participating in the U. S. Department of Commerce's insurance program to Kazakhstan, actively participating in the NAIC International Accounting Standards Working Group, participating in the NAIC/IAIS Working Group and International Committee, and hosting international regulator visits.

**Figure 12
Insurance Companies in Supervision/Conservatorship**

	FY 1999	FY 2000
Balance of Companies		
Beginning of Fiscal Year	35	35
Referred During Fiscal Year	9	12
Total	44	47

**Figure 13
Insurers Under Court-Directed/Special Administrative Action**

	FY 1999	FY 2000
Under Court-Directed Action	0	0
Under Special Administrative Action	16	11
Under Hazardous Financial Condition Action (Article 1.32)	5	5
Total	21	16

**Figure 14
Disposition of Companies Under Rehabilitation**

	FY 1999	FY 2000
Total (Figure 1-8 & Figure 1-9)	65	63
Cases Closed		
Rehabilitation	10	10
In Receivership	4	† 2
Dissolved	8	8
Other Changes *	8	11
Total Cases Closed	30	31
Balance at End of Fiscal Year	35	32

*FY 2000: Other changes included: 1 entity moved from supervision to conservatorship; 3 entities moved from supervision to Article 1.32; 3 entities moved from supervision to administrative oversight; 1 entity moved from conservatorship to Article 1.32; 2 entities moved from administrative oversight to supervision; and 1 entity moved from Administrative Oversight to confidential conservatorship.

† Medical Community's Temporary Restraining Order was issued August 30, 2000; however, was not officially released from Conservation until October 5, 2000 by Commissioner's Order No. 00-1139

Figure 15
Texas Guaranty Association Assessments — 1975-2000

Year	Life/A&H	P&C	Title	Total
2000	15,231,151	0	0	15,231,151
+1999	25,154,027	12,000,000	0	37,154,027
*1998	23,954,748	0	0	23,954,748
1997	51,186,830	0	0	51,186,830
1996	68,882,786	(127,000,000)	0	(58,117,214)
1995	83,026,366	0	0	83,026,366
1994	22,101,673	194,938,801	0	217,040,474
1993	66,238,272	119,261,000	0	185,499,272
1992	63,257,000	112,328,000	0	175,585,000
1991	24,970,000	122,602,000	6,215,000	153,787,000
1990	112,476,000	61,019,000	5,560,000	179,055,000
1989	16,359,000	41,231,000	0	57,590,000
1988	0	0	0	0
1987	33,500,000	41,680,000	0	75,180,000
1986	5,000,000	20,000,000	0	25,000,000
1985	8,000,000	20,000,000	0	28,000,000
1984	4,000,000	0	0	4,000,000
1983	0	0	0	0
1982	10,000,000	0	0	10,000,000
1981	3,000,000	0	0	3,000,000
1980	0	0	0	0
1979	1,840,000	0	0	1,840,000
1978	1,200,000	0	0	1,200,000
1977	0	0	0	0
1976	0	4,120,000	0	4,120,000
1975	600,000	3,305,000	0	3,905,000

+Life/A&H made \$25.1 million in assessments in 1999; however, it refunded \$6.9 million to its member insurers.

*Property & Casualty assessments were billed December 29, 1998, however, no payments were received until calendar year 1999.

Figure 16
Summary of Activity — Holding Company

	FY 1999	FY 2000
Applications for Affiliate Transactions and Acquisition of Control or Exemption Received	747	789
Pending Applications Closed	726	774

Figure 17
Summary of Closed Applications — Holding Company

	Closed at End of FY 1999	Closed at End of FY 2000
Reinsurance Arrangements	148	93
Management, Data Processing Service, Cost Sharing Arrangement	137	188
Pledge of Assets and Pooling of Assets	3	8
Investment in, Valuation of, Affiliates	26	21
Purchase of Securities, Real Estate, Automobile Treasury Stock	57	39
Affiliate Loans and Mortgage Loan Participation	10	18
Lease Arrangements	33	23
Issuance of Surplus Debentures/Notes	22	33
Payment of Money Advanced	19	26
Dividends and Other Distributions to Shareholders	145	171
Consolidated Tax Returns	30	37
Financing Arrangements	8	7
Exemption from Commercially Domiciled Demutualizations	10	9
	1	0
Acquisitions of Control	38	39
Exemptions from Acquisition of Control	35	53
MGA Agreements	3	4
Informational Filing by HC Exempt Insurers	0	1
Disclosure of Material Transactions	1	4
Total	726	774

Figure 18
Amount Paid for Control of Domestic Insurance Companies — FY1995-FY 2000

Year	Amount Paid
1995	\$ 2,550,643,350
1996	6,319,751,750
1997	7,130,712,854
1998	51,194,884,952
1999	14,023,005,912
2000	8,787,693,620

1995 The figure for FY95 includes one acquisition with a total purchase price of \$1.1 billion. It also includes a portion of the purchase price associated with the recapitalization of an insurance group.

1996 The figure for FY96 includes one acquisition with a total purchase price of approximately \$4.0 billion and another for approximately \$1.75 billion. This figure does not include the value attributable to several restructurings or mergers involving the issuance of stock.

1997 The figure for FY97 includes one acquisition with a purchase price of \$3 billion and another for \$2.62 billion.

1998 The figure for FY98 includes three acquisitions with purchase prices of \$42.6 billion, \$3.124 billion and \$2.3 billion.

1999 The figure for FY99 includes four acquisitions with purchase prices of \$3.450 billion, \$2.846 billion, \$2.6 billion and \$1.8 billion; and Health Maintenance Organization acquisitions totaling \$1.279 billion.

2000 The figure for FY 00 includes four acquisitions with purchase prices of \$1.8 billion; \$1.2 billion and two at \$1.0 billion. The total also includes Health Maintenance Organization acquisitions totaling \$1.6 billion.

Figure 19
Texas Policyholder Premiums, Claim Payments — CY1994-CY1999

Year	Premiums	Claim Payments	Payments as % of Premium
CY 1994	\$39.7 billion	\$29.0 billion	73.1%
CY 1995	42.1 billion	33.0 billion	78.4%
CY 1996	43.9 billion	33.2 billion	76.0%
CY 1997	46.4 billion	35.0 billion	75.4%
CY 1998	48.0 billion	43.3 billion	90.2%
CY 1999	60.7 billion	45.6 billion	75.1%

Figure 20
Total Capital/Surplus of Insurance Companies Operating in Texas — CY1994-CY1999

Year	Total Capital/Surplus
CY 1994	\$ 308.6 billion
CY 1995	356.3 billion
CY 1996	401.4 billion
CY 1997	479.1 billion
CY 1998	540.2 billion
CY 1999	548.2 billion

Figure 21
Number of Examinations — FY1995-FY2000

Year	Number of Examinations
FY 1995	160
FY 1996	163
FY 1997	157
FY 1998	221
FY 1999	215
FY 2000	207

FY 1997 includes 21 examinations conducted by third party contractors during FY 97.

FY 1998 includes 34 contracted examinations and 7 examinations of LRAs

FY 1999 includes 39 contracted examinations

FY 2000 includes 33 contracted examinations

Figure 22
Number of Actuarial Opinions Reviewed — FY1995-FY2000

Year	Number Reviewed
1995	1,844
1996	2,012
1997	1,937
1998	2,023
1999	1,627
2000	1,877

Figure 23
Number of Actuarial Examinations Performed — FY1995-FY2000

Year	Number of Exams
1995	89
1996	97
*1997	83
*1998	82
1999	80
2000	82

**Does not include examinations conducted by third party contractors.*

Figure 24
Actuarial Projects Completed — FY1995-FY2000

Year	Projects Completed
1995	286
1996	255
1997	281
1998	267
1999	401
2000	400

Note: Actuarial Projects are shown as completed when one or more hours are spent on written responses. They also include reports, meetings or other long-term efforts. Long-term efforts spanning several months are counted as a project for each month in which such efforts continue.

Figure 25
Number of Reinsurance Arrangements Reviewed — FY1995-FY2000

Year	Arrangements Reviewed
1995	168
1996	169
1997	209
1998	200
1999	226
2000	251

Figure 26
Continuing Care Retirement Communities (CCRCs) Filings

	FY 1999	FY 2000
Applications Reviewed	0	0
Licenses Issued	0	0
Disclosure Statement Filed	18	18

Figure 27
Number of Company Licenses under Commissioner's Jurisdiction

License Type	FY 96	FY97	FY98	FY99	FY 2000
Insurance Companies	2,074	2,053	2,027	2,011	1,999
Health Maintenance Organizations	62	70	73	73	64
Premium Finance Companies	308	300	290	292	291
Continuing Care Retirement Communities	19	19	19	19	19
Third Party Administrators	513	552	607	655	696
Total	2,976	2,994	3,016	3,050	3,069

Property and Casualty

Property and Casualty was created in September 1999 from the former Title Division and the former Property & Casualty sections of the Technical Analysis and Regulation and Safety Programs. The program monitors a wide range of property and casualty insurance lines from auto to workers' compensation; reviews form and rate filings; explores ways of cutting insurance costs by reducing losses; reviews and analyzes statistical data; administers the Auto and Residential Property Market Assistance Program (MAP); and prepares reports on insurance rates and markets to assist policy makers and consumers with insurance-related decisions.

Property and Casualty consists of a General Management section and seven activities:

General Management, led by a senior associate commissioner, provides program-wide management and operational support including strategic and budget planning; research assistance including Geographic Information System (GIS) mapping and demographic analysis; and administrative support.

Personal & Commercial Lines Division, formerly the Commercial Property/Casualty Division and the Automobile/Homeowners Division, was melded into one division in April 2000. The division drafts policy forms and manual rules for automobile and personal lines coverages and presents rules to the Commissioner affecting personal and commercial lines; reviews individual insurer filings of forms, endorsements, and rules; shares with the Inspection Division oversight of operation of the Texas Windstorm Insurance Association (TWIA) including the TWIA Plan of Operation, manual, forms and endorsements; responds to inquiries from agents, consumers and insurers; and resolves complaints. Additionally, staff works closely with the Property and Casualty Actuarial Division to monitor the marketplace and propose changes due to changing public needs. The division consists of the **Automobile/Homeowners Section** and **Commercial Property and Casualty Section**.

Inspections Division drafts and presents proposed rules affecting property and casualty insurance and the Texas Windstorm Insurance Association (TWIA) Plan of Operation (Building Code). The division also represents the Department on the building code advisory committee required by statute, provides oversight of established commercial fire rates by outside entities, ensures loss control compliance of insurers, administers the amusement ride safety program, assists State Fire Marshal's Office with establishment of public protection classifications by outside entities and conducts windstorm inspections for compliance with building codes.

It consists of four sections.

Commercial Property Oversight Inspections

Section ensures consumers receive fair and equitable commercial property rates through random statewide spot-check inspections. It works to mitigate fire losses through evaluation of building codes, classification of building materials and construction techniques and commercial property rating schedules. The section also provides complaint resolution as needed concerning inspections, classifications or a base fire rate assigned by a private inspection entity. Additionally, this section issues licenses to individuals conducting underwriting inspections for determining insurability of residences. Oversight inspectors inspect and classify residential property for superior fire resistive construction.

Windstorm Inspections Section, through six field offices and one satellite office, inspects and certifies property constructed, repaired or modified in the 14 coastal counties along the Gulf of Mexico and certain specified areas in Harris County. Windstorm Inspectors ensure compliance with the building specifications and standards set forth in the Texas Windstorm Insurance Association (TWIA) Plan of Operation before coastal property is declared eligible for coverage written through TWIA.

Engineering Services Section provides support to all sections in the Inspections Division. Staff assists the State Fire Marshal's Office in evaluating public and private fire suppression rating schedules; evaluates and approves designs for compliance with TWIA building codes, including wind load designs; reviews and develops TWIA building codes; evaluates building products; assesses commercial and residential automatic sprinkler systems; and reviews calculation and building design plans certified by engineers.

Loss Control Section conducts mandatory inspections of insurance companies licensed in Texas and those seeking to be licensed to ensure that loss control and accident prevention services list for policyholders of general liability, professional liability, medical professional liability for hospitals and commercial automobile lines of insurance. The section registers loss control and field safety representatives who meet state requirements. The staff also administers and oversees the Amusement Ride Safety Inspection and Insurance Act to monitor compliance of approximately 290 amusement ride owner/operators and 1,450 amusement rides.

Title Division regulates policy forms and rates for title insurance and oversees licensing and financial examination of title agents. The Title Division consists of two sections.

Title Insurance Section oversees licensing of title agents, direct operations, and escrow officers, responds to consumer complaints and inquiries, and assists with rule and rate hearings.

Title Examinations Section conducts comprehensive, limited scope, and restricted compliance audits of title agents licensed in Texas.

Workers' Compensation Division

regulates the writing of workers' compensation insurance in Texas. This group determines the appropriate workers' compensation classification for employers' businesses, handles inquiries and complaints, oversees the calculation of experience modifiers by insurance companies, administers job safety incentive programs for employers and reviews group purchase plans. It consists of three sections.

Oversight oversees calculation of experience modifiers, resolves workers' compensation complaints, and processes general inquiries about workers' compensation.

Classifications determines appropriate classification codes for policyholders and processes classification inquiries about workers' compensation.

Management/Retrospective/Group/Deductibles reviews group purchase plans and deductible filings and administers loss control incentive programs (retrospective ratings plans) for employers.

Property and Casualty Actuarial

provides actuarial review of rate and rating plan filings, conducts in-depth analyses of the Texas insurance market, and performs special studies to assist the agency and policy makers. The division also makes sure that file-and-use rates meet applicable legal standards, verifies their appropriateness, makes recommendations on prior-approval rate filings and verifies that flex-rate filings either fall within the flexibility band, in which case they do not need prior approval, or receive prior approval to go outside the band. It is also responsible for the calculation of workers' compensation classification relativities and rating values.

Property and Casualty Actuarial also works closely with

- Personal and Commercial Lines, Workers' Compensation, and the Title divisions in monitoring the marketplace to assist policy makers and consumers with insurance-related decisions.
- Data Services to improve the quality and reliability of data.
- Special Projects on market analysis projects.

Data Services collects and maintains statistical data, produces statistical reports for the Legislature, the agency, the public and the insurance industry and oversees the agency's workers' compensation statistical agent. Data is obtained through statistical plans; data calls or downloads from the NAIC computer database. Data collection activities include:

Quarterly Legislative Report on Market

Conditions, based on premium and loss data collected in the Quarterly Call for Experience for the following lines of insurance: general liability, commercial fire and allied lines, product liability, commercial multi-peril, private passenger automobile, homeowners multi-peril, boiler and machinery, crime, glass, miscellaneous professional liability, medical professional liability and workers' compensation insurance.

Texas Liability Closed Claim Report, which includes data on the final disposition of Texas claims of more than \$10,000 under general liability, medical professional, other professional liability and commercial automobile liability policies and the liability portion of commercial multi-peril policies. Findings developed from this data are used for the Texas Liability Insurance Closed Claim Annual Report.

Texas Title Insurance Agents and Underwriters Reports, which collect information on income and expenses in the title insurance industry.

Disallowed Expense Report, which collects data on insurer expenses that, by statute, may not be considered in the determination of rates.

Additional reports include the State of Texas Property and Casualty Insurance Experience by Coverage and Carriers (often called the Texas Page 15 Report) and the Insurance Expense Exhibit, which are compilations of data downloaded from the National Association of Insurance Commissioners (NAIC).

Data Services also oversees:

- Compliance with quality standards in the collection of the state's workers' compensation data by the National Council on Compensation Insurance (NCCI). The data is collected under the Texas Workers' Compensation Statistical Plan, the Texas Detailed Claim Information Statistical Plan and the Texas Workers' Compensation Financial Call Plan. Oversight includes modifying statistical plans, ensuring compliance with TDI performance standards, overseeing statistical agent audits, resolving problems between reporting companies and the statistical agents and ensuring the delivery of data for developing class code relativities, research and other regulatory purposes. Data Services publishes standard workers compensation reports developed by NCCI for TDI.
- Operation of the Auto and the Residential Property Market Assistance Program (MAP) that links:
 - Good drivers who live in "underserved" areas with auto insurers that will consider them for coverage at standard or preferred rates.
 - Homeowners who have been unable to find insurance for their homes with participating insurance companies.

Special Projects provides data analysis, collects information through special calls and surveys, produces data compilations and oversees the agency's residential property, private passenger automobile and commercial lines statistical data collection agents.

Special Projects also oversees compliance with quality standards in the collection of the state's residential property and private passenger automobile data by the Texas Insurance Checking Office (TICO) and commercial lines data by the Insurance Services Office (ISO). The data are collected for use with the Residential Property Statistical Plan, the Private Passenger Automobile Statistical Plan and the Commercial Lines Statistical Plan. Oversight includes modifying statistical plans, ensuring compliance with TDI performance standards, overseeing statistical agent audits, resolving problems between reporting companies and the statistical agents and ensuring the delivery of data for benchmark rate hearings and other regulatory purposes.

In addition to seeing that data is prepared for the residential property and auto benchmark rate hearings, Special Projects provides statistical plan and special call data for market analysis and other projects. These include:

- Analyzing market data used in identifying underserved areas for both residential property and auto insurance.
- Providing data for calculating assigned risk auto quotas.
- Providing data for calculating insurer participation levels in the Texas Catastrophe Property Insurance Association.
- Providing data for pricing newly adopted residential property and auto endorsements.

Highlights

In Fiscal Year 2000, the Property and Casualty Program:

Personal and Commercial Lines Division

- Petitioned Commissioner to allow Texas non-profit nursing homes to apply for medical liability insurance from the Texas Medical Liability Insurance Underwriting Association, a state-created insurer of last resort.
- Assisted with the implementation of the SERFF project.
- Revised the Commercial Property/Casualty Section's retention schedule to reflect the utilization of the department's Electronic Imaging System for closed files. This has resulted in savings of approximately 218 cubic feet of storage space in FY 2000. The utilization of the imaging system by the division has also increased the efficiency of retrieving records when responding to open records requests.
- Implemented the reorganization of the Automobile/Personal Lines Section and Commercial Lines Division. This resulted in processes that are

more consistent and more efficient utilization of resources.

Inspections Division

- Conducted February 3, 2000, and June 8, 2000, Building Code Advisory Committee Meetings.
- Published August 2000 amendments to the Building Code.
- Conducted Building Code presentation to Lumberman's Association of Texas, Texas Society of Professional Engineers and Texas Tech Hurricane Seminar.
- Updated Windstorm Code information on TDI Web Page.
- Worked with the Legislature to help recodify the Amusement Ride Safety Inspection and Insurance Act from the *Texas Insurance Code* to the new *Occupations Code*. TDI adopted amended rules 28 TAC 5.9001-5.9014 to incorporate changes enacted by HB 1059 (76th Legislature). This legislation added daily inspections of mobile rides, public information signage at parks and carnivals, stronger reporting requirements for operators and enforcement authority by local law enforcement. TDI has worked with major law enforcement agencies/associations to educate them about their authority under these new provisions.

Title Division

- Helped negotiate an agreement with the General Land Office, four title insurance companies and residents in Bastrop County whose land titles were clouded by a 19th Century surveyor's error. Due to the surveyor's error, the state was considered the property owner. Under the agreement, the title insurers purchased the disputed area from the state, allowing the landowners to acquire legal title to 26 acres.
- TDI conducted and concluded hearings to set rates and revise the title premium split between agents and underwriters. Rules adopting new reinsurance agreement forms were also adopted.

Workers' Compensation Division

- The Texas Workers' Compensation Insurance Fund returned more than \$195 million of maintenance tax surcharge to self-insureds and insurance companies in early 2000. The insurance companies were required to send a proportionate share of the amount returned to each qualified policyholder. Staff from the Workers' Compensation Division, Data Services and Legal Services worked together to implement HB 3697 (76th Legislature).

Property and Casualty Actuarial Division

- Prepared a successful challenge to filed auto insurance rates of the Farmers Insurance Group, which led to an \$11 million refund in auto insurance premium overcharges and a 3 percent reduction in auto insurance rates.
- Provided actuarial support for the statewide average reduction of auto benchmark rates of 1.3 percent, effective November 1, 2000.

- Provided actuarial support for the statewide average reduction of homeowners benchmark rate of 6.6 percent with rate reductions in 19 of the state's 23 residential rating territories. Dwelling fire benchmarks were increased by an average of 9.8 percent statewide, while extended coverage increased by 1.1 percent. Unlike homeowners, dwelling policies do not provide liability or medical payments coverage. Dwelling fire policies cover homes and contents against losses due to fire and lightning and extended coverage adds protection against certain non-fire losses, such as wind and hail damage.
- Negotiated a \$4.5 million refund for policyholders of Allstate Indemnity Co. and Allstate Property and Casualty Co. who received the age 50 to 64 discount on policies issued effective September 1, 1995 or later. The refund was for the difference between the discount received and the discount that should have been applied.
- Worked with the Personal and Commercial Lines Division to enable Texas non-profit nursing homes to apply for medical liability insurance from the Texas

Medical Liability Insurance Underwriting Association, a state-created insurer of last resort.

- Negotiated a decrease in premiums accompanied by an expansion of benefits with the state's leading writer of Credit Involuntary Unemployment Insurance that was also adopted by most other carriers in the state. The agreement resulted in a small decrease in rates accompanied by an approximate 140 percent expansion of benefits for the monthly outstanding balance program and a 39 percent decrease in premium accompanied by an expansion of benefits for the single premium product.

Data Services Section

- Amended Residential Property Market Assistance Program (MAP) Plan of Operation to allow property owners to apply directly to the agency rather than through an agent.
- Placed the Automobile Insurance Market Assistance Program (MAP) application on the department's web site so good drivers living in underserved ZIP codes can apply for lower-priced car insurance through the state's Automobile Insurance Market Assistance Program (MAP) via the Internet.

Figure 28
Summary of Activity — Personal Property

	FY 1999	FY 2000
Requests for Information	16,051	14,336
Certificates Issued	10,439	7,197
Complaints Processed	698	489
Rules, Rates and Policy Forms Processed	134	120

Figure 29
Summary of Activity — Commercial Property / Casualty Division

	FY 1999	FY 2000
Professional Liability		
Form and Rule Filings Processed	*3,087	1,324
Commissioner's Orders	*138	38
Bulletins	-	0
Requests for Information	71	88
Complaints	28	25
Legislative Inquiries	104	9
Telephone Calls Received	1,940	2,357
Visitors	22	32
Other Inquiries	53	133
General Liability		
Form and Rule Filings Processed	*6,626	4,171
Commissioner's Orders	*185	26
Bulletins	-	0
Requests for Information	72	83
Complaints	9	21
Legislative Inquiries	170	46
Telephone Calls Received	3,505	3,798
Visitors	6	25
Other Inquiries	44	373
Bond, Miscellaneous Casualty		
Form and Rule Filings Processed	*1,383	1,138
Experience Ratings	37	113
Consent to Rate Applications	†694	1,175
Commissioner's Orders	*31	6
Bulletins	1	4
Requests for Information	41	71
Complaints	55	71
Legislative Inquiries	125	4
Telephone Calls Received	2,463	4,199
Visitors	5	18
Other Inquiries	284	216
Commercial Property		
Form and Rule Filings Processed	*5,033	3,274
Commissioner's Orders	*124	25
Bulletins	4	3
Requests for Information	13	25
Complaints	31	60
Legislative Inquiries	8	2
Telephone Calls Received	2,165	1,144
Visitors	18	11
Other Inquiries	50	48

* Increased volume is due to Y2K endorsement filings received, approved by division.

† Due to personnel changes, about 50 percent of the data were not captured in FY 1999.

Note: In previous Annual Reports, this data was included in Figures I-29 through I-33.

Figure 30
Summary of Activity — Personal & Commercial Automobile

	FY 1999	FY 2000
Total Experience Rating Files Processed	76,890	54,117
State Agency Auto Policies	33	28
Processed Telephone Calls	37,605	33,603
Outgoing Letters	13,394	8,973
Resolved Complaints/Inquiries	156	108
Open Records Request	259	272
Visitors	234	208
Total Customer Services	51,648	43,164
Rate and Form Filings Processed	3,529	1,761
Individual Risk Submissions (IRS)	2,307	1,339
Bulletins/Mailings/Commissioner Orders	4,986	*12
Hearings/Meetings (In Hours)	561.5	†0
Special Projects (In Hours)	2,128.25	†0

* Decrease is attributed to the change in reporting. The number of addresses is no longer being captured. This number now reflects the actual number of Bulletins and Commissioner Orders issued.

† Information no longer being captured for reporting purposes.

Figure 31
Summary of Activity — Title Insurance

Activity	FY 1999	FY 2000
Annual Escrow Audits Reviewed	558	567
Field Examinations/Audits Conducted	350	261
Technical Examinations	0	0
New Agency Contracts/Revisions	345	298
Complaints	187	228
General Information Requests	3,079	2,948
Rates, Rules and Policy Forms	20	3
Commissioner Orders	2	22
Hearings	51	30
Meetings	440	520
Licenses Issued (includes renewals)	3,840	5,058
Licenses Cancelled	1,232	1,497

Figure 32
Numbers of Agents/Licenses Under Commissioner's Jurisdiction — Title Insurance

Agents/Licenses	FY 1999	FY 2000
Title Agents	536	534
Title Agent Licenses	1,584	1,609
Direct Operations	26	25
Direct Operation Licenses	26	25
Escrow Officers	4,679	4,857
Escrow Officer Licenses	4,996	5,079

Note: There are more licenses than agents because some agents hold more than one type of license.

Figure 33
Summary of Activity — Commercial Property Oversight Inspections
(formerly Inspection and Fire Safety)

	FY 1999	FY 2000
Property Inspections Conducted	1,150	1,157
Telephone Calls Processed	1,793	649
Number of VIP Licenses/Certificates Issued	39	19

Figure 34
Summary of Activity — Windstorm Operations

	FY 1999	FY 2000
Applications	*23,548	23,442
Inspections	33,969	22,501
Certificates of Compliance	*24,036	22,736
Windstorm Fees Received	\$20,305	\$11,017

**Data revised after FY 1999 Annual Report released.*

Figure 35
Summary of Activity — Engineering Services

	FY 1999	FY 2000
Public Protection Class Codes Reviewed	489	108
Building Code Interpretations	1,899	1,169
Product Evaluations	911	539
Visitors Served	137	67
Telephone Calls Processed	5,271	2,902

Figure 36
Summary of Activity — Loss Control

	FY 1999	FY 2000
Total Evaluations Completed	256	247
Companies Rated Adequate	215	245
Companies Rated Less Than Adequate	41	2
Number of Companies Evaluated for Licensure	15	8
Loss Control Representative Applications Reviewed	105	69
Field Safety Representatives with a Specialty in Hospitals	14	19

Figure 37
Summary of Activity — Amusement Ride Safety and Insurance Act

	FY 1999	FY 2000
Policies Reviewed/Accepted	277	281
Inspection Certificates Approved	1,357	1,441
Number of Injuries Reported	132	114
Inspector Applications Reviewed/Accepted	6	0
Number of Owners/Operators under Compliance Monitoring	262	288

Figure 38
Summary of Activity — Workers' Compensation Oversight Group

	FY 1999	FY 2000
Written Inquiries Processed	118	132
Complaints Processed	55	50
Letters Written	1,089	994
Telephone Calls Processed	5,838	6,105
Number of Experience Rating Modifiers Reviewed	506	531
Number of Policies Reviewed	640	31
Complaints Referred to Texas Workers' Compensation Commission	542	596

Figure 39
Summary of Activity — Workers' Compensation Classification

	FY 1999	FY 2000
Number of Inspections	289	198
Number of Days Traveled	101	73
Total Miles Traveled	23,026	14,880
Average Travel Cost Per Inspection	\$48.26	\$46.90
Letters & Telephone Calls	19,204	15,209
Visitors	14	4
Types of Inspections Made:		
Insured Requests	13	13
Insurer Requests	98	58
Agent Requests	24	18
Department Requests	154	109

Figure 40
Summary of Activity — Workers' Compensation Management/Retrospective Rating/Group Purchase/Deductibles

	FY 1999	FY 2000
Number of Telephone Calls	1,255	1,271
Number of Letters	805	601
Number of Visitors	68	57
Number of Groups Certified	55	64
Number of Circular Letters Distributed	3,395	4,182
Number of Rate Guides Distributed	0	37
Number of Open Records Requests	178	85
Filings Reviewed:		
Group Programs	87	136
Rate Filings	263	101
Rating Plans & Misc. Filings	167	10
Retro Election Notices	514	484
Number of Endorsement/Forms Approved	38	34
Number of Endorsement/Forms Withdrawn	26	33

**Figure 41
Tort Reform Premium and Savings Reported by Line of Insurance (in millions)***

	1995†	1996	1997	1998	1999	2000
	Direct Written Premium	Actual Savings*	Actual Savings*	Actual Savings*	Actual Savings*	Actual Savings*
Farmowners/ ranchowners liability	\$53.7	\$0.8	\$0.9	\$0.8	\$1.2	\$1.2
Medical malpractice	\$320.8	\$32.7	\$34.9	\$43.2	\$51.6	\$54.9
General liability	\$1,087.2	\$115.8	\$105.8	\$197.5	\$201.8	\$206.2
Commercial multi peril	\$431.7	\$36.0	\$48.3	\$73.3	\$76.0	\$80.9
Products liability	\$95.6	\$11.9	\$11.1	\$21.1	\$25.0	\$26.6
Commercial automobile†	\$588.8	\$59.8	\$62.3	\$73.1	\$99.7	\$103.9
Private passenger auto†						
Rate-regulated	\$2,121.5	\$142.9	\$141.0	\$191.7	\$166.2	\$133.8
Non rate-regulated	\$588.6	\$35.6	\$36.9	\$55.7	\$77.9	\$77.9
Totals	\$5,287.9	\$435.5	\$441.2	\$656.4	\$699.5	\$685.5
Grand Total Tort Reform Savings						\$2,918.1

*Differences in savings are a result of change in premium volume by line of insurance.

†Tort reform applies only to bodily injury liability portion of commercial, private passenger auto premium.

Note: Some liability coverages have been combined under one grouping. Medical malpractice includes doctors' and hospital malpractice; commercial auto includes garage liability; general liability includes personal umbrella, farm liability, commercial umbrella, other professional liability, pollution liability, fire, legal and contractual liability and owners and contractors protective railroad and liquor liability. Two other lines -- employers' liability of workers' comp and homeowners liability -- are not shown because no rate adjustment was made in those lines.

**Figure 42
Title Statistical Reports Collected**

	FY 1999	FY 2000
Title insurance agents	546	548
Title insurance underwriters	16	18

**Figure 43
Rate and Rating Plan Filings in FY1999-2000**

	Filings Processed FY 1999	Filings Processed FY 2000	Processed In 90 Days FY 1999	Processed In 90 Days FY 2000
Regular filings	6,192	4,047	55.0%	73.6%
Tort reform filings	5,690	2,122	58.9%	62.9%
Total filings processed	11,882	6,169	56.9%	69.9%

Life, Health and Licensing

Life, Health and Licensing regulates Health Maintenance Organizations (HMOs) and a wide range of life, health and related coverages and also licenses insurance agents, third party administrators, viatical and life settlement companies and brokers, premium finance companies, utilization review agents and independent review organizations.

Primary responsibilities include:

- Regulating policy forms, evidences of coverage and related documents for life, accident and health insurance, HMOs, credit life insurance, credit accident and health insurance, viatical and life settlements, annuities, and pre-paid legal plans.
- Reviewing rate filings for credit life and accident and health, Medicare supplement, Medicare select, long-term care and accident and health insurance and HMO coverage.
- Investigating and resolving complaints related to HMOs and conducting quality of care examinations of HMOs.
- Issuing licenses and license renewals to insurance agents, third party administrators, viatical and life settlement companies and brokers, premium finance companies, utilization review agents and independent review organizations.
- Receiving and screening filings for property and casualty lines as well as the insurance coverages listed above.
- Auditing the activities of third party administrators.
- Implementing state and federal legislation and monitoring the extensive federal activities related to life insurance, health insurance, and licensing.

Life, Health and Licensing consists of a General Management section and four divisions:

General Management, led by a senior associate commissioner, provides management and operational direction for the program; represents the commissioner or oversees Life, Health and Licensing staff's representation on the Texas Health Care Information Council, the National Data Interchange Standards Task Force, the Children's Health Insurance Program's (CHIP) Marketing Oversight Committee, the East Texas Rural Access Program and the board of the Texas Healthy Kids Corporation (THKC). Additionally, the senior associate commissioner is the TDI liaison for the Texas Health Insurance Risk Pool (THIRP) and CHIP. General Management also provides technical assistance to the Texas Health and Human Services Commission, the Texas Department of Health, THIRP, THKC and the federal Health Care Financing Administration of the United States Department of Health and Human Services.

General Management oversees the program's implementation of enacted federal and state legislation through its Regulatory Development staff who track, analyze and coordinate the department's comments on proposed legislation pertaining to life, health and licensing. Regulatory Development staff also informs industry and other interested parties of legislative and

rule changes through bulletins or other means and drafts rules to implement both state and federal legislation and to respond to changes in the industry. The staff also collects, analyzes and reports on industry data as required by state and federal law and provides technical assistance to interim and oversight committees and task forces.

General Management develops the program's business plan and the program's portion of the TDI strategic plan, annual report, appropriations request, and budget. Staff also oversees the program's human resource, budget, purchasing, and performance measure activities and reports.

Filings Intake Division consists of three sections.

Property and Casualty Section receives all rule, rate and policy form filings for property and casualty lines, including workers' compensation, and conducts an initial screening of the filings for compliance with basic filing requirements.

Life/Health and HMO Section receives all rate and policy form filings for life, health, credit, HMO and related products and conducts an initial screening of filings for compliance with basic filing requirements.

Micrographics Section produces electronic images of closed files for property and casualty, life, health and HMO products and the field reports for the windstorm section.

Licensing Division oversees the licensing and regulation of insurance agents, adjusters, risk managers, life insurance counselors, reinsurance intermediaries, third party administrators, premium finance companies, and persons involved in selling insurance products in travel agencies, self-service storage facilities, retail establishments and rental car companies. The Division has five sections.

Applications Section reviews and processes applications for new licenses for agents and adjusters, oversees the agent criminal history review process, registers additional trade names and trade locations, and records sponsors of solicitors and insurance service representatives.

Customer Assistance Section responds to inquiries and telephone calls from agents, companies and the public, including questions regarding licenses, appointment status, and general inquiries about the licensing process.

Renewals, Appointments and Continuing Education Section reviews and processes renewals, records and cancels agent appointments, registers continuing education providers and courses, processes reciprocal agreements with other states and oversees the training courses for agents and adjusters.

Administrative Review and Data Management Section researches and reviews all applications with a criminal history, makes recommendations on issuance or denial of a license and recommends appropriate

action on all non-routine agent applications, renewals and cancellations for cause. This section also produces certificates and other records regarding a license's status, cancels licenses when requested by the licensee, records address and name changes for all licensees, processes Open Record Requests, prepares records for microfilm processing and manages the Division's files.

Third-Party Administrator (TPA) and Premium Finance Section licenses, regulates and examines TPAs, which administer plans under contract with insurance companies, HMOs and/or self-funded plans, and licenses premium finance companies. During FY2000, this Section began licensing Advisory Organizations; there are six (6) Advisory Organizations licensed.

Life/Health Division reviews life, annuity, accident and health, prepaid legal, credit life and credit accident and health policies, certificates, applications, endorsements and riders to ensure compliance with state and federal statutes and regulations. The Division also registers viatical and life settlement companies and brokers and reviews contractual forms related to viatical and life settlements. The Division consists of four sections.

Accident and Health Section reviews and analyzes form filings for individual and group accident and health products, which include Medicare supplement, Medicare select, long-term care, large and small employer groups, non-employer groups, and combination life and accident and health products. The section coordinates the review of rate filings for accident and health, long-term care, Medicare supplement, and Medicare select policies and small employer plans. The section tracks small employer annual certifications and assists companies and other TDI staff in coordinating withdrawals from the individual, small employer group and large employer group markets and discontinuances of products in these markets. The section also reviews documents for Multiple Employer Welfare Arrangements.

Life, Annuity and Credit Section reviews and analyzes form filings for: life, annuity, credit life and credit accident and health insurance policies; prepaid legal insurance filings; rate filings for credit insurance; forms related to viatical and life settlements; and filings for name changes, assumptions and mergers. The section also registers viatical and life settlement companies and brokers, processes notifications from charitable organizations issuing charitable gift annuities, analyzes credit life and credit accident and health data and tracks annual certifications and lists of forms subject to TDI's life illustration rule.

Actuarial Section reviews, analyzes, and evaluates rate filings pertaining to certain individual accident and health, long-term care, Medicare supplement, Medicare select and HMO coverage. In addition, staff reviews actuarial data required for individual and group life, accident, health, long-term care, Medicare supplement and Medicare select coverage, small employer health benefit plans and HMO

applications for certificate of authority and service area expansions. Staff also reviews the Texas Health Insurance Risk Pool's premium rates.

Administration develops and implements the Division's business plan, executes the Division's legislative implementation plan, responds to public inquiries, provides technical training for Division staff, responds to Open Records Requests and provides administrative and automation support for the Division.

In addition to the above, all sections of Life/Health assist in the development and implementation of rules and educate the insurance industry on regulatory requirements through bulletins, compliance workshops, manuals and checklists. The Division provides technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions, reviews of advertising materials and withdrawals from market(s). The Division often is called upon to provide technical assistance to external entities including, but not limited to, the Texas Employees Retirement System, the Texas Teachers Retirement System, the National Association of Insurance Commissioners, the Texas Department of Banking, the Texas Department of Health, the Texas Health and Human Services Commission, the Texas Health Insurance Risk Pool, the Office of the Attorney General, and the Health Care Financing Administration of the United States Department of Health and Human Services.

Health Maintenance Organization (HMO) Division regulates HMOs and utilization review agents (URAs) and certifies independent review organizations (IROs). The Division investigates complaints against these licensed entities and reviews HMO and URA form filings. The Division consists of three sections.

Compliance/URA/IRO reviews and analyzes HMO form filings such as evidences of coverage, provider and administrative services contracts and other related filings for HMOs writing commercial, Medicare+Choice, Medicare select and small or large employer coverage to ensure compliance with state and federal statutes and regulations; certifies URAs to conduct business in Texas; registers insurers and HMOs to conduct utilization review; reviews URA form filings; issues renewals of URA certifications and registrations; investigates complaints against URAs conducting utilization review under a workers' compensation policy; reviews IRO applications for certificates of authority; reviews form filings required of IROs and processes IRO requests received from URAs, insurers and HMOs.

Quality Assurance Section investigates all complaints against HMOs, as well as insurers that provide coverage to CHIP enrollees. In most instances, the section's involvement results in complaints being resolved through the HMO's adherence to applicable statutes and regulations. Where necessary, the section initiates enforcement actions relating to the availability, accessibility and quality of health care provided through HMOs. Additionally, when excessive

or particularly severe complaints are received, the section conducts on-site examinations to determine whether an HMO is fully complying with quality standards. This section conducts triennial and other statutory quality of care examinations that are required before TDI issues a certificate of authority or approves an HMO's service area expansion request.

Administration develops and implements the Division's business plan, compiles and analyzes data, provides administrative support for the Division, executes the Division's legislative implementation plan and responds to public inquiries.

In addition to the above, all sections of HMO assist in the development and implementation of rules, respond to Open Records Requests, educate industry, provider and consumer groups through bulletins, compliance workshops, manuals, checklists and speaking engagements and provide technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions, and withdrawals from HMO markets. The Division provides technical assistance to external entities such as the Texas Employees Retirement System, the Texas Department of Health, the Texas Health and Human Services Commission, the Texas Department of Mental Health and Mental Retardation, the Texas Commission on Alcohol and Drug Abuse, the Texas Workers' Compensation Commission, the Texas Department of Criminal Justice, the Texas Healthy Kids Corporation, the Texas Health Care Information Council, the National Association of Insurance Commissioners and the Health Care Financing Administration of the United States Department of Health and Human Services.

Highlights

In Fiscal Year 2000, Life, Health and Licensing:

General Management

- Assisted in developing the following rules adopted by the commissioner, including rules implementing legislation enacted by the Texas Legislature in 1999:
 - Long-Term Care Eligibility Provisions Rules, Art. 3.70-12 (House Bill 1586).
 - Clean Claims Rules, Arts. 3.70-3C and 20A.18B (House Bill 610).
 - Risk Pool Notice, Art. 3.77 (House Bills 1097 and 1924).
 - Amendments to Exempt Forms (28 TAC 3.4004).
- Proposed rules to the commissioner for implementing legislation enacted by the Texas Legislature in 1999, including:
 - Prescription Drug Formulary Rules, Art. 21.52J (Senate Bill 1030).
 - Pharmacy Identification Card Rules, Art. 21.53L (Senate Bill 1237).
 - Off-Label Drug Use Rules, Art. 21.53M (House Bill 2061).

- Viatical and Life Settlement Rules, Art. 3.50-6A (House Bill 792).
- Drafted rules to implement legislation enacted by the Texas Legislature in 1999, including:
 - Breast Reconstruction Benefit Notice Rules, Art. 21.53I (House Bill 1764).
 - Diabetes Self-Management Training Rules, Art. 21.53G (Senate Bill 982).
 - Specialty License Rules, Art. 21.09 (Senate Bill 957).
 - Utilization Review Rules, relating to mental health therapy, Art. 21.58A (Senate Bill 569).
 - Utilization Review, Independent Review Organizations' and HMOs' Complaint Procedures Rules, Art. 21.58A (House Bill 3016) and Chapter 20A and Art. 3.70-3D (House Bill 3021).
 - Point-of-Service Rules, Arts. 26.09 and 3.64 and Chapter 20A (House Bill 1498).
 - Small and Large Employer Rules, Chapter 26 (House Bills 1211, 1217, 1628, and 2969 and Senate Bill 881).
 - Delegated Network Rules, Arts. 20A.02 and 20A.18C (House Bill 890).
- Proposed other rules:
 - Amendments to the Life Illustration Rules (28 TAC Chapter 21, Subchapter N).
 - Revisions to Types of Adjusters' Licenses (28 TAC 19.602).
- Drafted amendments to existing rules, including:
 - Medicare Supplement Rules, to comply with federal requirements.
 - Clean Claims Rules (28 TAC §§21.2803 and 21.2809)
 - Requirements for Filing of Policy Forms, Riders, Amendments, and Endorsements for Life, Accident, and Health Insurance and Annuities (28 TAC Chapter 3, Subchapter A).
 - Summary Procedures for Routine Matters (28 TAC Chapter 1, Subchapter F).
- Assisted the Texas Health and Human Services Commission in implementation of CHIP (per Senate Bill 445) by:
 - Reviewing the Requests for Proposals (RFPs) and the contracts for HMO coverage, dental coverage and the exclusive provider organization plan.
 - Assisting in developing the coverage documents for HMO coverage, dental coverage and the exclusive provider organization plan.
 - Approving the CHIP policies and evidences of coverage.
- Assisted legal staff and the Office of the Attorney General with the Memorandum of Understanding and rules relating to regulation of physicians' joint negotiations (Senate Bill 1468).
- Provided information and technical assistance to the Blue Ribbon Task Force on Uninsured Joint Committee (Senate Concurrent Resolution No. 6), including participation in town meetings throughout the state.

- Provided information and technical assistance to the Joint Interim Committee on Health Benefit Mandates, developed its RFP for a statistical analysis, reviewed the RFP responses and commented on the consultant's report.
- Established two full-time trainer positions in the Life/Health Division to develop new employees and coordinate the review of new and innovative products.
- Established a new position in the Life/Health Division to create and maintain a central, web-based repository of life and health insurance regulatory information.
- Provided information and technical assistance to the Long-Term Care Legislative Oversight Committee.
- Conducted a survey of children-only health benefit plans.
- Reviewed and commented on various model regulatory proposals for numerous organizations including, but not limited to, the National Conference of Insurance Legislators and the National Association of Insurance Commissioners.
- Applied to the federal Health Resources and Services Administration, in the Department of Health and Human Services, for a state planning grant regarding access to health insurance coverage for all Texas residents.
- Spoke to industry, provider and consumer groups regarding life, health and licensing issues.

Filings Intake Division

- Assisted with implementation of the System for Electronic Rate and Form Filing (SERFF) initiative in the Property and Casualty Program. The implementation was effective September 15, 1999.
- Represented Texas on the NAIC Product Steering Committee (PSC), which guides SERFF development efforts and ensures that SERFF's customers receive their requested system functionality. During FY2000, the PSC worked with system developers to set the specifications for each enhancement phase of SERFF.

Licensing Division

- Assisted legal staff in preparing commissioner's bulletin B-0005-00, providing interim guidelines to the financial and insurance industries regarding the effect of the Gramm-Leach-Bliley Act on TDI's licensing process.
- Procured and installed a new licensing database to bring Texas into compliance with the NAIC's Producer Identification Number and Producer Database initiatives.
- Worked with staff from the Texas Comptroller of Public Accounts and their consultant in preparation for implementing license database queries and on-line license renewals on the state's e-commerce portal, TexasOnline, in early FY2001.
- Spoke to numerous industry, provider and consumer groups regarding licensing issues.

Life/Health Division

- Reviewed and analyzed 23,854 life, accident and health related form filings.

- Assisted the Texas Health and Human Services Commission in the coordination and implementation of CHIP.
- Assisted in developing revisions to rules, including:
- Developed commissioner's bulletin B-0048-00 to industry regarding TDI's consumer publication on long-term care insurance and the annual filing of long-term care rates.
- Updated and placed on TDI's web site reviewer checklists and resource guides for Individual and Group Accident and Health products and Life, Annuity and Credit products.
- Developed commissioner's bulletin B-0015-00 to industry regarding new presumptive premium rates and procedures for credit life and credit accident and health insurance.
- Developed a database for analyzing life settlement and viatical settlement data.
- Responded to surveys from the federal Health Care Financing Administration and other states regarding health insurance topics such as preferred provider organizations, long-term care, small employer plans and rates, stop-loss coverage, and supplemental coverage.
- Assisted companies and other TDI divisions with more than ten withdrawals from large employer, small employer, and individual markets.
- Implemented a review process for life illustration certifications and notifications.

Health Maintenance Organization Division

- Reviewed and analyzed 2,949 HMO form filings.
- Conducted 32 quality of care examinations of HMOs.
- Responded to 5,601 complaints regarding HMOs.
- Assigned 423 IRO case reviews.
- Reviewed and assigned 10 Service Area Expansion Requests.
- Assisted the Texas Health and Human Services Commission in the coordination and implementation of CHIP.
- Conducted an initial quality of care review of CHIP network adequacy and developed procedures to monitor quality of care and track complaints for CHIP.
- Drafted and distributed commissioner's bulletin B-0045-00 advising carriers offering Medicare supplement coverage or Medicare+Choice plans of their duties and the coverage options available to Texans.
- Reviewed and completed one HMO Certificate of Authority application.
- Assisted in the development of comprehensive regulations defining "clean claim" for the purpose of prompt payments of claims.
- Represented the commissioner on the Interagency Council on Genetic Services.
- Spoke to numerous industry, provider, and consumer groups regarding managed care issues.

Figure 44
Summary of Activity — Intake Division Filings Received/Processed

	FY1999	FY2000
Flex-Rate Filings		
Personal Auto	1,182	1,167
Commercial Auto	983	702
Homeowners	194	180
Total	2,359	2,049
Other Rate Filings		
Commercial Property	1,057	708
Workers' Compensation	338	154
General Liability	2,835	2,605
Professional Liability	1,062	3
Bond, Burglary, Title	415	1,002
Multi-Peril	2,281	428
Total	7,988	6,796
Policy Form, Endorsement and Rule Filings		
Personal Automobile	117	117
Commercial Automobile	507	519
Intake Unit	16	12
Interline	0	42
Homeowners	49	91
Commercial Property	1,991	1,622
General Liability	3,788	2,570
Bond, Burglary	922	696
Workers' Compensation	203	123
Professional Liability	2,289	814
Multi-Peril	5,242	3,399
Total	15,124	10,005
Rating Manual		
Bond, Burglary	0	2
Commercial Automobile	0	0
General Liability	0	0
Homeowners	0	0
Intake Unit	0	0
Multi-Peril	1	0
Personal Automobile	0	0
Professional Liability	0	0
Commercial Property	0	0
Workers' Compensation	0	0
Total	1	2
Total P & C Filings Received *	25,472	18,852
Intake Unit Filings Processed	748	408

* Filings were higher than normal in FY1999 due to filings regarding Year 2000 liabilities (the FY 1998 total was 18,593).

Figure 45
Number of Licenses, Certificates and Registrations Under Commissioner's Jurisdiction

License Type	FY1996	FY1997	FY1998	FY1999	FY2000
Agents ¹	203,603	216,493	231,680	244,878	255,644
Adjusters	28,897	31,458	32,620	35,390	38,498
Full-Time Home Office Salaried Employees ²	N/A	N/A	N/A	2,498	3,323
Vehicle Rental ³	N/A	N/A	30	48	N/A
Specialty – Credit ²	0	0	0	0	718
Specialty – Travel ²	0	0	0	0	231
Specialty – Rental Car Company ²	0	0	0	0	58
Specialty – Self-Service Storage Facility ⁴	0	0	0	0	43
Life Counselors	98	113	120	124	124
Risk Managers	1,084	1,115	1,121	1,125	1,126
Reinsurance Intermediary	1,054	1,125	1,184	1,322	1,399
Premium Finance Companies	308	300	290	106	291
Third-Party Administrators	513	649	710	655	696
Grand Total of Lines Regulated¹	235,557	251,253	267,761	286,146	302,151

¹ An agent may hold more than one type of license; these statistics do not represent numbers of individual agents.

² Registration only. Created by the 75th Legislature. Rules adopted in FY1998.

³ License type created by the 75th Legislature and repealed by the 76th Legislature.

⁴ Specialty License types created by the 76th Legislature.

Figure 46
Summary of Activity — Licensing Division

	FY1999	FY2000
Total Filings Processed by Licensing Division	497,246	690,762
Telephone Inquiries Answered *	129,611	258,842

* Licensing implemented an Interactive Voice Response system on August 27, 1999, to improve the Division's ability to field more calls from companies, agents and the public. The IVR provides 24-hour, 7-day-a-week access to licensing information.

Figure 47
Five-Year Summary of Agents License Statistics

Total Licenses	FY1996	FY1997	FY1998	FY1999	FY2000
Issued	54,522	49,785	51,330	59,736	61,679
Renewed	89,906	71,253	97,242	84,527	103,397
Total Appointment Transactions	303,430	287,785	237,761	267,666	280,355
Total Current Licensed Agents & Adjusters	232,500	247,951	264,300	280,268	294,142
Other Licenses	3,057	3,302	3,461	5,878	8,009
Grand Total of Licenses Regulated	235,557	251,253	267,761	286,146	302,151

Figure 48
Numbers and Types of Agents Licenses — FY1999-FY2000

Agents	FY1999	FY2000
Group I Life	108,214	114,787
Group II Life	32,946	31,427
Variable Contracts	31,049	35,527
Local Recording *	26,858	38,043
Solicitor	17,209	18,005
Insurance Service Rep	2,463	2,656
Non-Resident Fire/Casualty *	7,819	1,139
Managing General	4,063	4,384
State/Salary/Special †	5,331	0
Agricultural	312	321
Surplus Lines	2,582	2,818
Prepaid Legal	6,032	6,537
Total	244,878	255,644

* Licenses of non-resident agents who reside in a state that has signed the Uniform Treatment Declaration and that grant full reciprocity to Texas agents were converted to Local Recording Agents in FY2000.

† No longer issued.

Figure 49
Summary of Activity — Miscellaneous Lines

	FY1999	FY2000
TPA On-Site Examinations	19	7
TPA Desk Audits Conducted	0	20
TPA New Licenses Issued	70	88
TPA License Exemptions Granted	45	57
New Premium Finance Licenses Issued	23	20
Premium Finance Licenses Renewed	279	271

Figure 50
Number of Premium Finance Companies and Loans' Value — CY1995-CY1999*

Calendar Year	Number of Companies	Number of Premium Loans	Value of Loans
1995	308	563,364	\$1.46 billion
1996	306	404,532	\$1.65 billion
1997	300	443,278	\$1.76 billion
1998	292	455,492	\$1.54 billion
1999	291	468,129	\$1.68 billion

* These figures are reported in calendar years, and 1999 is the last full calendar year available.

Figure 51
Summary of Activity — Life/Health Policy Forms Reviewed

	FY1999	FY2000
Filed	25,998	23,854
Accepted	24,617	22,804
Approved	7,337	6,165
Disapproved	4,047	3,944
Exempt	5,218	5,831

Figure 52
Summary of Activity — Health Maintenance Organization Filings

	FY1999	FY2000
New Forms Received	2,249	2,672
Forms Completed	3,563	2,949

Figure 53
Summary of Activity — Utilization Review Filings

	FY1999	FY2000
Applications Received	98	52
Applications Pending Review	12	13
Registered Utilization Review Agents Approved	10	14
Certified Utilization Review Agents Approved	54	66

Figure 54
Summary of Activity — HMO Complaints

	FY1999	FY2000
Complaints Received	6,886	5,446
Complaints Closed	7,067	5,601

Consumer Protection

Consumer Protection assists Texans by helping resolve insurance complaints; providing insurance information to the public through a toll-free Consumer Help Line, publications and the Internet; and reviewing insurance advertising.

The Consumer Protection Program consists of five activities:

Complaints Resolution reviews consumer disputes with insurance companies, agents and other regulated insurance businesses. Complaints Resolution staff examines complaints for violations of the *Texas Insurance Code* and the *Texas Administrative Code* and recommends enforcement action when appropriate. The complaints resolution process routinely results in the return of millions of dollars in premium refunds and additional claim payments to consumers. Complaints Resolution Property and Casualty handles complaints involving mostly home and auto coverage; Complaints Resolution Life, Accident and Health handles mostly life and health coverage complaints.

Information Assistance responds to calls to the agency's toll-free Consumer Help Line, 1-800-252-3439. These phone lines are staffed from 8 a.m. to 5 p.m. Central Time, Monday through Friday. Staff members answer common questions regarding most lines of insurance, furnish information about the license status of companies and agents, provide other company information – complaint histories, financial information and financial ratings from a nationally recognized rating organization – and advise consumers about filing complaints. Staff members also process requests for complaint forms, rate guides and other consumer publications.

Information Assistance assists non-English speakers through its Spanish-speaking operators, automated telephone service messages and instructions in Spanish and use of the AT&T Language Line. Service for the hearing or speech impaired is provided through Relay Texas at 1-800-735-2989 (TDD/TTY).

Public Education, in cooperation with other TDI activities, develops informational materials to increase consumers' understanding of insurance products, encourage wise insurance shopping and promote TDI consumer services. Publications include rate guides, brochures and fliers available in English, Spanish and Vietnamese. Publications also are accessible through the Internet. Consumers may order complaint forms and information brochures 24 hours a day, seven days a week, by calling a toll-free automated telephone line at 1-800-599-SHOP (7467). Public Education also coordinates a Speakers Bureau that delivers public presentations and workshops to civic and community organizations,

consumer groups and business and industry associations. In partnership with other state and federal agencies, Public Education operates the federally funded Health Information, Counseling and Advocacy Program (HICAP), which provides statewide training to volunteer benefits counselors who assist senior citizens in their local communities with insurance concerns.

Advertising reviews industry marketing materials to evaluate compliance with rules governing solicitation and trade practices. Those materials include brochures, phone and sales scripts, agent presentations, newspaper, magazine, radio and TV ads, form letters, illustrations, Web pages, and other materials. Significant violations are referred to TDI's Legal and Compliance Program for possible enforcement action.

Special Work Assignments Team (SWAT) enhances the program's business processes by developing means of improving efficiency and effectiveness. SWAT coordinates the program's business planning activities and legislative tracking and oversees production of program information published on the agency's Web site.

Highlights

In Fiscal Year 2000, Consumer Protection:

- Responded to more than 347,000 inquiries, including nearly 332,000 calls handled by Information Assistance, and 15,000 handled by Complaints Resolution. Complaints Resolution also processed more than 28,000 written complaints.
- Produced nearly \$34 million in additional claims paid and premium refunds to consumers through intervention in consumer complaints. The total is an increase of nearly 32 percent from FY 1999.
- Promoted the Market Assistance Program (MAP) for consumers residing in under-served ZIP codes, in cooperation with the Property and Casualty program and the Public Information Office.
- Distributed more than 800,000 brochures on renters insurance, through a partnership with the Texas Apartment Association.
- Initiated or expanded partnerships with governmental agencies to promote TDI services and enhance outreach activities, including partnerships with:
 - The cities of Dallas and Beaumont to distribute MAP information in utility bills.
 - County tax assessor-collector offices to distribute MAP and other insurance information .
 - Texas high schools to distribute information about insurance to students.
 - The Office of the Texas Attorney General to conduct outreach at community events.
 - The Texas Department on Aging to conduct the Health Information, Counseling and Advocacy Program (HICAP), an outreach program for older

Texans and benefits counselors in local Area Agency on Aging offices statewide.

The Texas Commission on Alcohol and Drug Abuse and more than 40 other agencies and organizations in the Alliance Against Underage Drinking. The Alliance (www.2young2drink.com) is a resource center for parents, schools and communities working to curb underage drinking in Texas.

- Conducted 580 Speakers Bureau presentations throughout Texas on insurance issues.
- Distributed 2 million publications, including nearly 500,000 rate guides. Rate guides provide information to help Texans save money on their insurance. TDI publishes rate guides for automobile, homeowners, Medicare supplement and workers' compensation insurance.
- Received an "A" grade from the Consumer Federation of America for the agency's consumer publications and Web site.
- Continued, in cooperation with the Financial and Legal programs, an outreach campaign to assist Holocaust survivors and their heirs with information about how to file a claim for unpaid insurance settlements from policies issued in Europe between 1928 and 1945. Through the end of FY 2000, TDI had assisted 113 Holocaust survivors and heirs.
- Reviewed more than 6,100 insurance advertisements to ensure compliance with state laws and TDI rules.

- Enhanced technological support for staff and customers, including a project to automate the processing, storage and retrieval of complaint files. In addition, the section continued to maintain and update the TDI.nfo database. The electronic database of insurance laws and rules provides TDI staff with on-line information about insurance, laws and rules to assist consumers consistently, efficiently and quickly.
- Maintained the Consumer Protection page on TDI's Internet Web site. The page recorded nearly 333,000 hits in FY 2000. Items accessed most frequently were company profiles, auto rate guides, the Internet Complaint Inquiry System and the on-line insurance complaint form.
- Hosted, in cooperation with the TDI Purchasing Division and other TDI programs, several historically underutilized business (HUB) fairs to acquaint HUB vendors with TDI contract bid opportunities.
- Assisted consumers in South Texas following Hurricane Bret in September 1999 and in Fort Worth following tornadoes that damaged parts of the city's downtown area and several residential neighborhoods. TDI staff provided information, responded to consumer questions and monitored insurance company activities.

Figure 55
Total Number of Complaint
Cases Closed — FY1996-FY2000

Year	Cases Closed
FY 1996	16,709
FY 1997	17,650
FY 1998	18,829
FY 1999	22,472
FY 2000	28,005

Figure 56
Additional Claim Payments
to Consumers — FY1996-FY2000

Year	Claim Payments
FY 1996	\$14.8 million
FY 1997	\$17.0 million
FY 1998	\$21.3 million
FY 1999	\$24.4 million
FY 2000	\$32.0 million

Figure 57
Restitutions/Refunds to
Consumers — FY1996-FY2000

Year	Restitutions/ Refunds
FY 1996	\$1.2 million
FY 1997	\$1.2 million
FY 1998	\$1.3 million
FY 1999	\$1.2 million
FY 2000	\$1.8 million

State Fire Marshal's Office

The State Fire Marshal's Office develops, fosters and promotes methods of protecting the lives and property of the citizens of Texas from fire and related hazards. The Office works in cooperation with the public, regulated fire service industry, all branches of the fire service, local governments and other state governments. In addition to staff located in the headquarters office, the State Fire Marshal's Office deploys field staff throughout the state permitting rapid response for investigations and inspections and reduced travel expenses.

The State Fire Marshal's Office consists of the following major service areas:

Fire/Arson Investigation Services

Fire/Arson Investigations investigates, upon request, fire scenes throughout the state and provides assistance to local law enforcement authorities.

Arson Hotline provides a toll-free number for the public to report suspicious activity involving fires. The hotline, 1-877-4FIRES45 (1-877-434-7345), is staffed 24 hours a day.

Canine Teams consist of a handler, who is a certified peace officer/arson investigator, and a canine that has been certified and trained to detect hydrocarbons. The canines' keen sense of smell helps them identify areas for evidence collection at fire scenes. The four certified teams are available 24 hours a day.

Forensic Arson Laboratory, based in Austin, provides accelerant testing services and analysis of fire scene debris to law enforcement and public safety organizations. The lab is accredited by the American Society of Crime Laboratories Directors.

Mobile Response Unit houses a self-contained command center, interview room, computer and audio-visual workstations and telecommunications systems.

Fire Industry Licensing Services

Fire Industry Licensing issues registrations, licenses and permits to those working in the fire alarm, extinguisher, sprinkler and fireworks industries.

Fire Industry Investigations conducts investigations of existing fire alarm, extinguisher and sprinkler systems and fireworks stands to ensure compliance with adopted safety standards.

Engineering Assistance, upon request, provides local governments with a review of fire alarm and sprinkler plans.

Fire Safety Inspection Services

Fire Safety Inspections conducts inspections of public and private buildings and flammable liquids at retail service stations throughout the state. A Fire Prevention Training Conference is sponsored each October.

Fire Prevention and Outreach Services

PPC Oversight assists local fire departments, upon request, with Public Protection Classifications and the ISO Fire Safety Rating Schedule.

Fire Safety House is a 30-foot mobile travel trailer that converts to a "kid-sized" functional two-story house to assist in teaching home fire safety to Texas school children. Inside, children are taught to locate potential fire hazards, practice methods of eliminating the dangers and escape as the house fills with nontoxic (water fog) smoke.

School Curriculum Guides on fire and burn prevention help teach fire safety. Each guide, kindergarten through high school, includes lesson plans, teacher and student materials.

Juvenile Firesetter Intervention assists fire departments, upon request, in establishing their own community-based firesetter intervention programs for juveniles.

Texas Fire Incident Reporting System

(TEXFIRS) collects data from fire departments and compiles statistics to determine the impact of fire on lives and property. Each year a summary of the fires reported, *Fires in Texas*, is published. This data helps develop laws, standards and prevention programs.

History

The Legislature established the position of State Fire Marshal in 1910 and charged the State Board of Insurance members to select one of its members to be "Fire Marshal of the State Insurance Board." Duties included investigating fires to determine their cause, inspecting buildings to identify fire hazards and requiring the removal and correction of identified fire hazards. The Fire Marshal's duties were redefined by the Legislature seven more times between 1913 and the early 1970s, with the Commissioner of Insurance handling the State Fire Marshal duties for many years. In 1975, a separate Office of the State Fire Marshal was established, and in 1991, the Legislature removed the office from the Texas Department of Insurance (TDI) and merged it with the Texas Commission on Fire Protection. In 1997, the

Legislature returned the Office of State Fire Marshal to TDI.

Highlights

In Fiscal Year 2000, the State Fire Marshal's Office:

- Continued an aggressive, on-site fire safety inspection project on state university campuses. More than 1,500 residential buildings were inspected. The State Fire to work with university officials to remedy any dangerous situation uncovered by the inspections.
- Sponsored the first State Fire Marshal's Conference in Austin with more than 100 local fire marshals in attendance. The conference focused on enhancing local

understanding of the state's regulatory process and on increasing interaction among fire marshals statewide.

- Worked with the Attorney General to obtain injunctive relief against a hotel that had gradually changed its occupancy to a less-than-full-care nursing home without providing for the appropriate level of fire protection. Support from local fire service officials was critical to this successful effort.
- Provided more than 25,000 Texas school children invaluable fire safety training through community visits from the State Fire Marshal's Fire Safety House. This travel trailer exhibit provided children with a simulated home fire escape experience.

Figure 58
Summary of Activity — Fire Marshal's Office

	FY 1999	FY 2000
TEXFIRS incident reports processed ¹	873,049	710,748
Informational/educational presentations conducted	2,331	2,423
Number of requests for engineering assistance	183	151
Number of initial and follow-up fire investigations ²	1,128	847
Number of samples analyzed in arson laboratory	2,058	2,501
Number of Juvenile Firesetter Intervention Programs formed or expanded ³	52	26
Number of companies and personnel licensed for Fireworks, Extinguisher, Alarm and Sprinklers ⁴	9,553	10,524
Number of investigations/inspections of complaints against fire protection equipment/fireworks industries	1,201	1,364
Number of buildings inspected/reinspected for fire safety hazards ⁵	8,838	8,428

¹ Processing of TEXFIRS incident reports decreased in FY 2000 due to technical difficulties with a new version of commercially produced reporting software used by local fire departments. SFMO staff are working with the vendor and staff at the U. S. Fire Administration (final destination of state information) to resolve reporting issues.

² The FY 2000 number does not reflect "follow-ups" as they ceased to be tracked separately. The FY 1999 number has been amended to reflect information that is more accurate.

³ The number of programs formed or expanded decreased in FY 2000 due to the requests for developmental workshops coming from more rural areas with less potential (fewer fire departments) for the formation of new programs. The SFMO is dedicated to providing services in all areas of the state regardless of the program formation potential.

⁴ The increase in fire industry permits is attributable to Texas' robust economy. As the economy expands, the number of individuals needed to install fire safety devices such as sprinklers and alarms will expand, as well.

⁵ The FY 2000 number includes the SFMO's aggressive state university residential building inspection project. This project initiated by the Texas Legislature, involved inspections of more than 1,500 buildings housing 70,000 students. Periodic project reports are sent to legislative leadership.

Administrative Operations

Administrative Operations is headed by the agency's chief of staff. It performs the agency's internal financial functions and provides operational support ranging from computer and database services to professional development and training.

The program consists of five activities.

Information Services (IS) provides automation and computer support for all agency programs and activities and is managed by the agency's Information Resource Manager (IRM). The activity's primary goals are to ensure that automation applications and technology are maintainable, available, of good quality and meet agency standards. IS supports agency programs by:

- Providing advice and assistance in applying technological solutions to business problems.
- Building and maintaining new applications or buying applications and/or systems to meet agency needs.
- Working to manage agency data efficiently and effectively.
- Supplying appropriate and timely technical training to employees who require it.
- Planning and implementing agency-wide automation and information technology projects.

The activity consists of four sections:

Planning and Administration includes three groups that handle both the administrative and planning functions for the division. The Planning Group develops and implements the IS planning process integrated with all other TDI planning processes, including managing the system security and the IS disaster recovery plans and monitoring project planning and implementation through the maintenance of the *IS Business Plan*, *Information Resources Strategic Plan*, and *Biennial Operating Plan*. The Business Analyst Group is responsible for performing technical analysis and consulting services, which includes defining customer automation requirements relating to agency strategies and business processes and supporting automated systems for business units. The Budget and Administrative Group oversees TDI's capital budget and the divisional budget, tracks IS spending and provides technical writing and technical librarian services for the division. The IS Technical Library maintains and centrally administers all authorized software licenses and technical documentation. The group also handles other administrative duties, including IS personnel matters. The section works closely with the agency's other business planning divisions and personnel to ensure all automation projects are supported and funded based on agency-wide business needs.

Customer Support Center includes the Desktop Support, Help Desk and Telecommunications Services groups. The Desktop Support Group offers on-site computer consulting and classroom training in computer basics and various software products, hardware and software support and assists users at their workstation in the installation and configuration of required software. The Help Desk acts as an intake unit for all requests for IS assistance. Help Desk staff

answer end-user questions and perform security administration support. The group is responsible for overseeing the process whereby requests for service are received, evaluated and tracked to completion. The Telecommunications Services Group is also part of the Customer Support Center and manages the agency's telephone and telecommunications needs.

Development is responsible for new software application development and all enhancement requests for existing applications. The section also maintains existing computer software applications, resolves production problems and handles "rapid response" assignments. The group is responsible for database administration and handles all technical Web master functions for the agency. Small projects are addressed on a rotational basis and each program area is responsible for prioritizing its own requests for assistance. Development's Rapid Response Unit is responsible for short-term automation tasks that are, by their nature, difficult to anticipate.

Production keeps all TDI computer operations functioning. The section ensures the agency's information resources infrastructure, including local area networks (LANs), wide area networks (WANs) and server-based software are functional. The section manages the UNIX/Oracle operating system, the NT/Oracle operating system and the office automation systems. It provides network and software management, production control and operations, as well as quality assurance and acceptance testing services.

Administrative Services, led by the Chief Financial Officer, supports the agency in the areas of budget and planning, accounting, purchasing, mail services and building and records management. It also monitors TDI's compliance with oversight requirements set for state agencies by the Legislature.

It consists of three divisions.

Financial Services maintains the agency's financial books and records, prepares supporting documents required for a proper audit trail, establishes internal financial controls to detect errors and irregularities, prepares the agency's annual financial report and develops and recommends rates for maintenance taxes and assessments. In addition, the division handles budget and planning functions, including the Legislative Appropriations Request (LAR), the agency's Strategic Plan, the agency's annual operating budget and the agency's monthly performance reports. Finally, the division monitors expenditures, develops projections to help programs stay within budget, monitors the agency's performance against targets in the Strategic

Plan and monitors the agency's compliance with certain Article IX provisions of the General Appropriations Act.

Staff Services deals with all building-related services, including space planning and management, security, employee parking, records retention, property inventory and warehousing, the copy center and administers the agency's Risk Management Program. It also handles, tracks and delivers all mail, including inter-agency memos and correspondence.

Purchasing and Contract Administration is responsible for procuring all goods and services for the agency. This includes establishing contracts, verifying taxes, soliciting procurement opportunities on the statewide electronic bulletin board and maintaining an audit trail for each procurement made. In addition, the division must track all contract employees; procurements of recycled items and contracts established with out-of-state vendors. The purchasing division also administers the agency's Historically Underutilized Business Program and monitors all service contracts and other major procurements to ensure that each contract is properly administered by agency customers.

Human Resources (HR) promotes agency goals primarily by developing, implementing and interpreting agency personnel policies and procedures, handling personnel and benefit needs, providing professional development opportunities for employees and managers and staffing the agency switchboard to direct incoming calls throughout the agency.

Human Resources consists of Management and Administration, Personnel and Benefits, Professional Development and Information Assistance.

Program Administration includes the Director, Assistant Director and management team personnel. This team analyzes and researches human resources issues, develops and reviews agency policy, provides reports on agency personnel issues to the Chief of Staff and Commissioner, and develops human resources initiatives, including coordinating and implementing the division's goals and business plan. In addition, it administers the Americans with Disabilities Act (ADA) and the Employee Assistance Program and works with managers in addressing and resolving employee issues.

Personnel and Benefits handles personnel, payroll, benefits and other day-to-day operations, including managing and monitoring agency hiring, payroll records, employment records, personnel actions, time and leave issues, position classification issues, employee insurance and benefits, the agency performance management system and employee exit interviews. It also handles recruiting qualified applicants, reporting employment statistics and maintaining the agency's Human Resources Information System (HRIS).

Professional Development assesses employee and agency training needs, provides technical insurance,

management and employee training, including new employee orientation and sexual harassment/discrimination training, maintains employee training records, produces various statistical training reports and coordinates the agency's Tuition Reimbursement Program. It also coordinates the agency's Wellness Program. The Information Assistance staff reports to the manager of this section.

Information Assistance is comprised of the staff from the information desk in the lobby of the William P. Hobby Building and the agency switchboard operators. The information desk staff assists visitors and monitors sign-in of visitors to the building. The agency switchboard operators direct incoming calls throughout the agency from the main agency telephone number.

Business Planning and Redesign Division (BPR) works with other agency planners and managers to: develop and implement business plans that enhance program effectiveness and help TDI accomplish our strategic goals; examine the agency to identify areas for improvement; and facilitate agency planning by coordinating the business and strategic planning processes.

In FY 2000, Business Planning and Redesign led several projects designed to improve program or agency operations, including:

- Development of TDI's Compact with Texans, a document that outlines our customer service standards and principles.
- Preparation of program and agency disaster recovery plans.
- Review of the process for handling requests for information.
- Initiation of a multi-phased project aimed at improving the way TDI creates, uses, processes and stores documents and forms.

The division continued to evaluate employee suggestions for agency improvements and develop implementation plans for approved suggestions. Business Planning and Redesign worked closely with the programs, individually and through the Planning Work Group, to monitor progress on current year business plans, to develop TDI's FY 2000-2001 Program Business Plans, and to reinforce the value of business planning as a tool that helps achieve TDI's strategic goals. Business Planning and Redesign staff also supported the programs by refining and communicating the process for developing project proposals for approval and by providing advice and consultation on specific project proposals.

Employee Ombudsman and Ethics Advisor gives employees an outlet to discuss their concerns and problems in private. The ombudsman also is charged with helping encourage positive communication between agency managers and employees, helping resolve workplace complaints, grievances or disputes and helping agency employees with ethics questions.

Highlights

In Fiscal Year 2000, these Administrative Operations divisions accomplished the following:

Information Services

- Verified Y2K compliance of all TDI automated applications.
- Mapped out an agency Technology Roadmap for Fiscal Years 2001 through 2005, and the Information Resources Strategic Plan for the same period. Both will be used to guide TDI's future technology decisions.
- Audited all agency software as required by HB 1895 (76th Legislature), finding zero instances of non-compliance with license requirements.
- Improved project management, increasing the percentage of "on schedule" projects from 73 percent in FY 1999 to 84 percent for FY 2000.
- Adopted and implemented agency-wide computing standards.
- Helped enhance the agency's Internet presence by:
 - Entering the agency's fourth year of Internet use, reaching out to consumers, insurers, producers and vendors with educational materials, announcements, business opportunities and regulatory transactions.
 - Promoting use of TDI's Web site. Monthly "hits" have increased to more than 496,000 per month as of August 2000.
 - Adding pertinent and timely information, including proposed rules, interactive company profile information, a variety of pamphlets and publications, rate guides, lists of agents, listings of companies and insurance/agency form templates.
- Helped implement state business on the Web, including:
 - Participating as one of eight state agencies named to the Texas E-Commerce Task Force by Texas Senate Bill 974 (76th Legislative Session). The task force is charged with enabling citizens and businesses served by the state to conduct transactions, including payments, via the Internet.
 - Starting the development of e-commerce applications, including one to renew agents' licenses that will be available to agency customers via the State Portal.
 - Beginning implementation of a project that will enable clients to renew subscriptions to agency publications over the Internet.
 - Activating TDI's first interactive Web-enabled application that allows the public to search for information about insurance companies on the agency's "Search for a Company Profile" Web page.
- Improved the agency's infrastructure and electronic communications by:
 - Upgrading the FTP and firewall server hardware/software and dial-in modems, the latter providing field staff increased remote access speed.
 - Reducing hardware maintenance costs by replacing a large mainframe-type printer with smaller, more economical printers. The new printers in customer

areas provide more timely output and result in a workload reduction for TDI's computer room.

- Increasing network speed and redundancy in key locations.
- Reducing the number of servers from five to three as part of a server consolidation plan, including upgrading all major servers to Novell 5.1.
- Installing Internet access to agency e-mail and office schedules and providing TDI employees the ability to communicate with any TDI employee or customer by browser from any location.
- Implementing a virus scan and delete product that provides virus protection on all incoming and outgoing Internet e-mails.
- Replacing more than 500 obsolete workstations with current technology and realigning projected purchases and equipment life cycles to more evenly distribute obsolescence-related purchases in future fiscal years.
- Providing a user-friendly Graphical User Interface (GUI) for several systems developed in-house by converting from Oracle Forms 3.0 to Forms 4.5 client/server.
- Continued agency-wide and IS disaster recovery planning, testing and hardware installation, including four disaster recovery tests. During one test, IS staff remotely restored TDI's operating system to a Sequent server in Philadelphia.
- Refined information security at TDI by:
 - Updating the agency's Computer Security Manual.
 - Developing and implementing an agency-wide security awareness program.
 - Implementing monthly reporting to DIR on TDI's security intrusions.
- Completed business unit IT initiatives, including:
 - Implementing requirements for electronic rate and form filing.
 - Working with the State Fire Marshal's Office to analyze the requirements for an automated Juvenile Firesetters Intervention Program.
 - Enhancing the agents licensing system to meet requirements of bills passed by the Legislature;
 - Upgrading the automated open records tracking system to comply with SB1851 (76th Legislature).
 - Assisting Administrative Services with the purchase and installation of a new purchasing system.
 - Contracting with Innovative IT Services for the purchase and installation of its COSMOS Agents License application. IS provided interfaces with other agency systems.
 - Contributing significant resources and expertise in the creation of the Guidebook for Developing Document Management Project Proposals, TDI's deliverable for its comprehensive look at Document Management agency-wide.

Administrative Services

- Developed and produced the agency's FY 2001 Operating Budget.

- Prepared and submitted the FY 2002 / FY 2003 Legislative Appropriations Request.
- Monitored and projected agency expenditures by strategy, object of expense and organizational unit.
- Maintained a salary and travel cap tracking system that enabled the agency to operate in compliance with the General Appropriations Act.
- Assisted in preparation of the quarterly FTE State Employee Reports to the State Auditor's Office, pursuant to the General Appropriations Act.
- Prepared and submitted the agency's FY 2001/ FY 2005 Strategic Plan.
- Monitored performance measures monthly to evaluate progress on strategic plan performance measures.
- Reported performance measures quarterly to the Legislative Budget Board.
- Coordinated self-audits of strategic plan performance measures and assisting with corrective actions.
- Completed requirements and implementing enhancement of the agency's accounting system and participating in an interagency contract to improve the system.
- Prepared the FY 1999 Annual Financial Report and the Binding Encumbrance and Accounts Payable Report.
- Developed rates for maintenance tax, examination/overhead assessment and premium finance assessment.
- Processed 7,320 payment vouchers and 28,071 cash receipts.
- Assisted in developing requirements to begin receiving revenue payments via the Internet.
- Implemented processes and procedures to comply with prompt pay and payment scheduling requirements.
- Acquired new purchasing system, which was implemented June 2000.
- Processed more than 2,523 purchase orders.
- Posted procurement opportunities on the Statewide Electronic Bulletin Board.
- Established agency contract administration policy to ensure that the agency effectively manages contracts.
- Established and adopted Historically Underutilized Business (HUB) rules for the agency.
- Tracked all contracts bid out and awarded to HUBs.
- Processed 1,163,419 pieces of agency mail.
- Microfilmed 1,713,470 documents and stored 2,063 cubic feet of records through the Texas State Library for record retention.
- Coordinated and planned the necessary renovations and purchase of modular furniture to meet the Legislature's mandate on space utilization.
- Processed 2,311 work orders through the General Services Commission.
- Installed an updated automated mail accounting system in the Mailroom.
- Replaced the 10-year old copy machines in the agency Copy Center.

Human Resources

- Implemented a process for tracking program area compliance with hiring and selection requirements.

- Provided results to program areas on a quarterly basis. Worked closely with program areas to ensure that hiring and selection processes are followed.
- Completed the Career Advancement Planning System (CAPS) Guide, an employee career development tool for managers and employees. This guide is available to employees on the Human Resources Intranet.
- Submitted revisions to the State Classification Plan based on program area input. Received approval from the State Auditor's Office on submissions.
- Increased State Employee Charitable Campaign (SECC) participation by 15 percent.
- Implemented internal performance measures for Human Resources.
- Continued participation in the State Agency Coordinating Committee (SACC), the SACC HR subcommittee and the SACC Training and Development subcommittee.
- Delivered 545 hours of training, including segments on new employee orientation, Spanish, communication, customer service and management.
- Delivered 392 hours of insurance training, including in-house Chartered Property Casualty Underwriter (CPCU) and insurance regulation courses. TDI's passing ratio for insurance examinations is consistently higher than the national average.
- Piloted web-based training programs in areas throughout the agency.
- Implemented Employee Roundtables, a discussion/training format to inform employees of our agency's policies and procedures.
- Developed an updated version of the mandated sexual harassment/discrimination training.
- Delivered the Personnel Manual and other employee manuals and policy memos via the Human Resources Intranet.
- Completed a comprehensive Turnover Analysis report to identify high employment turnover areas for the agency and reasons for the turnover.
- Processed 1,239 personnel actions for the agency, including merit raises, promotions, transfers and separations of employment.
- Participated in the state's IT Academy. Two employees are currently in this program and are expected to be placed in our Information Services division after completing the program.
- Completed the pilot testing for Human Resources Disaster Recovery Plan in conjunction with Business Planning and Redesign.
- Disseminated information gathered in the most recent University of Texas Survey of Organizational Excellence to all agency management and staff. Meetings were conducted with Senior Associates and Associate Commissioners on results and ways of addressing areas of strength and opportunities for growth.
- Delivered 43 Wellness Program events.

Business Planning and Redesign Division

- Monitored and reported on the status of FY 2000 business plan initiatives.
- Coordinated Planning Work Group meetings that provide an agency-wide forum for discussing and prioritizing projects requiring Administrative Operations support.
- Implemented the redesigned business planning process that streamlines reporting and better coordinates with other state planning and budgeting processes.
- Helped agency work groups implement legislation and FY 2000-2001 business plan projects.
- Served as the Customer Relations Representative and performing customer-service functions such as customer satisfaction assessments, calculation of customer service performance measures and preparation of the Compact with Texans.
- Developed an agency-wide database of the reports that TDI is required by law to produce.
- Drafted and posted the Agency-Wide Information Page on TDI's Intranet, providing access to and updates on projects and processes applicable to the entire agency.
- Assisted programs in doing cost-benefit analyses on projects requiring Administrative Operations support.
- Worked with Information Services, Administrative Services and program areas to enhance the agency-wide process for developing and seeking approval of proposed projects.
- Assisted programs in developing grant proposals to be submitted to the Foundation for Insurance Regulatory Studies in Texas.

- Initiated and led a multi-phased project aimed at improving the way TDI creates, uses, processes and stores documents and forms, which resulted in publication of several document management resource reports, including a Guidebook for Developing Document Management Proposals.
- Concluded a review of the organizational structure of the State Fire Marshal's Office and recommended ways to increase effectiveness.
- Worked with Human Resources to successfully administer the State Employee Incentive Program, with HR responsible for overall program administration and BPR responsible for evaluating the suggestions and preparing implementation plans for approved suggestions.
- Worked with Information Services, Administrative Services and program areas to complete development of disaster recovery/business continuity plans for each work group and the agency as a whole.

Employee Ombudsman and Ethics Advisor

- Assisted TDI employees in resolving a variety of workplace issues and conflicts through counseling, coaching, mediation and facilitation.
- Provided management skills assistance to specific divisions and departments.
- Represented TDI as a speaker and presenter at conferences, workshops and seminars that addressed various workplace issues, including sexual harassment and discrimination training.

Figure 59
Comparison of Maintenance Tax Rates — FY1991-FY2000

Type	Max Legal Rate	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Motor Vehicle	.2	.091	.07	.058	.069	.068	.055	.066	.056	.058	.055
Fire	1.25	.711	.574	.525	.606	.656	.436	.418	.370	.381	.358
Workers' Compensation	.6	.268	.217	.200	.386	.120	.093	.096	.085	.072	.055
Casualty	.4	.297	.210	.210	.295	.319	.209	.251	.197	.232	.200
Title	1	.322	.178	.132	.187	.171	.110	.135	.174	.123	.144
Life, Accident and Health	.04	.040	.040	.040	.040	.040	.040	.040	.040	.040	.040
Third-Party Administrators	1.0	1.0	.8	.5	.222	.235	.310	.339	.313	.244	.218
HMO Multi-Service*	\$2.00	\$1.21	1.25	\$0.78	\$1.23	\$1.27	\$0.68	\$0.80	\$1.21	\$1.08	\$1.08
HMO Single Service*		\$.60	\$.62	\$0.42	\$0.62	\$0.38	\$0.22	\$0.27	\$0.41	\$0.36	\$0.36
HMO Limited Service*									\$0.41	\$0.36	\$0.36
Prepaid Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	.030

* HMO rates reflect an amount per enrollee. Other rates are given as a percentage.

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